

FINANCIAL TIMES

Europe's Business Newspaper

WEEKEND SEPTEMBER 10/SEPTEMBER 11 1994

US and Cuba reach
accord to stem
flood of refugees

The US and Cuba reached an agreement to halt the flow of Cuban refugees to Florida in a move that marks the first piece of co-operation between the two countries since a flood of migrants began last month. The accord is thought likely to include provisions to increase the number of Cubans entering the US through legal channels from fewer than 4,000 a year to 20,000. Page 22

Adams likely to get US visas: Sinn Féin president Gerry Adams said he would apply for a visa to visit the US after receiving "thousands of invitations" to explain the IRA's Ulster ceasefire. The state department said his request was likely to be granted. Page 5

Ex-Volvo chairman to set up London bank: Pehr Gyllenhammar (left), former chairman of Volvo, is to move to London to set up an investment bank with Hans-Jörg Rudloff, the Euro-markets pioneer. Mr Gyllenhammar resigned from the Swedish motor group 10 months ago after his plans to merge Volvo's car and truck operations with Renault of France collapsed. Page 22; Volvo finalises plans to cede part of Renault stake, Page 9

USAir crash in fifth in five years: US federal aviation investigators began investigations into the fifth crash of a USAir passenger airliner in five years. All 132 people on board died when a Boeing 737 crashed while attempting to land at Pittsburgh airport. Page 3

At least 15 bidders seek coalmines: With four days to go before the government deadline for accepting bids for British Coal's mining assets, each of the five regions on offer is expected to attract at least three tenders. Page 4

Three face uranium charges: Three people were charged with trying to dispose of 100kg of industrial uranium in the Russian republic of Udmurtia.

Asprey shares fall on profits forecast: Shares in Asprey's fell by more than a third after the UK jeweller's retailer warned that the loss of a few big-spending customers would severely depress its profits. Page 22 and Lex; Mappin & Webb opens Prague store, Page 2

Leif Mills to be TUC president: Leif Mills, 58, general secretary of the Banking Insurance and Finance Union, took over from union leader Jimmy Knapp as president of the UK's Trades Union Congress. Mills's warning, Page 5

Union Carbide quits India: US chemical company Union Carbide is to cut its links with India 10 years after incurring the world's worst industrial disaster, at its Indian pesticide plant in Bhopal, which killed more than 2,500 people and seriously injured more than 30,000. Page 9

Christies ahead by 15%: Growth in all its main sectors helped auctioneers Christies International lift first half pre-tax profits by 15 per cent to \$2.13m (\$12.6m). Page 9; Lex, Page 22

Costain in the red: Shares in Costain Group fell 11 per cent as the British construction and engineering group reported pre-tax losses of £14m (£21.7m) for the first half and put its US mining operations up for sale. Page 8; Lex, Page 22

Seoul to ease hard line over N Korea: South Korea indicated it may pursue a more conciliatory policy toward North Korea, reversing its recent tough approach to Pyongyang which is leaving Seoul increasingly isolated as Washington and Pyongyang conduct negotiations on possible diplomatic ties. Page 3

CIS acts to enforce treaties: The Commonwealth of Independent States agreed to form an interstate economic committee designed to put into effect the economic treaties signed by members of the CIS, but which are often not implemented. Page 2

Improved car production lifts Laird: UK automotive components and building products manufacturer Laird Group, saw underlying pre-tax profits improve by 17 per cent to £23.9m (£37m) in the first half, helped by a recovery in car production in continental Europe. Page 8

Hospital chiefs 'better off in industry': Britain's best paid hospital manager earned £98,000 (£147,000) last year, but was worse off than counterparts in industry, a survey shows. Page 4

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American Express close to deal on Thomas Cook

By Richard Waters in New York

American Express is close to acquiring the international business travel operations of Thomas Cook in a move that would strengthen its position as one of the world's two biggest travel agency groupings.

The deal, which is expected to be announced early next week, would also involve American Express buying all of Thomas Cook's US travel agency operations.

The purchase would be the latest and largest of a series of acquisitions in the worldwide business travel market. It signals a move by agencies to increase their negotiating power with airlines and to offer a wider range of services to the big companies whose budgets drive a large part of the international business travel market.

American Express refused yesterday to confirm the deal. However, one industry executive close to the talks said it was

likely to be concluded within days.

The deregulation of airlines around the world is creating new markets for travel agencies. By increasing their buying power, the biggest agencies claim they can get cheaper flights for their corporate customers than would otherwise be the case.

The Thomas Cook operations are expected to add about \$2bn (£1.2bn) a year to American Express's travel agency billings (the spending by its customers on

airline tickets, hotels and so on), which stood last year at \$8bn. That would put it shoulder-to-shoulder with the US-French grouping of Carlson and Wagonlit, which agreed to combine their business travel operations in March. Between them, Carlson and Wagonlit had billings of \$10.8bn last year.

American Express is buying the Thomas Cook operations from Westdeutsche Landesbank, the German bank which itself bought the travel agency and

travellers' cheque business from Midland Bank of the UK for DM600m. WestLB will retain Thomas Cook's travellers' cheque business, as well as its non-US consumer travel agency operations.

In the past year, American Express has bought big domestic business travel agencies in Scandinavia, Brazil and Australia, as well as a regional US agency based in Texas. Carlson Wagonlit Travel, the business travel joint venture between the US and

French companies, has made

acquisitions in the Far East. The US Thomas Cook agency business, which has 383 offices, is being bought from a private US company which operates under a franchise arrangement. Under US banking laws, WestLB has not been able to own this outright.

American Express is thought to have sounded out antitrust authorities in Washington on the US part of the deal, and to have received an initially favourable response.

Renewed fears of rate rise ■ Dollar and pound weaken against D-Mark

Shares and bonds hit by US factory prices surge

By Patrick Harverson in New York and Jurek Martin in Washington and Our Markets Staff in London

Bond and stock prices on both sides of the Atlantic tumbled yesterday after the US government released data showing an unexpectedly sharp increase in wholesale prices during August.

The figures suggest that inflationary pressure may be building up in the US economy and revived fears among investors and traders that the Federal Reserve will raise interest rates again soon to slow the pace of economic growth and curb inflation.

The Fed last raised interest rates on August 16, the fifth tightening of US monetary policy since February. At the time, Wall Street analysts hoped it would be the last rate increase until at least November. Yesterday's data on wholesale prices, however, may persuade the Fed that it has not yet done enough to fight off inflation.

The selling on financial markets yesterday was widespread. In New York, the Dow Jones

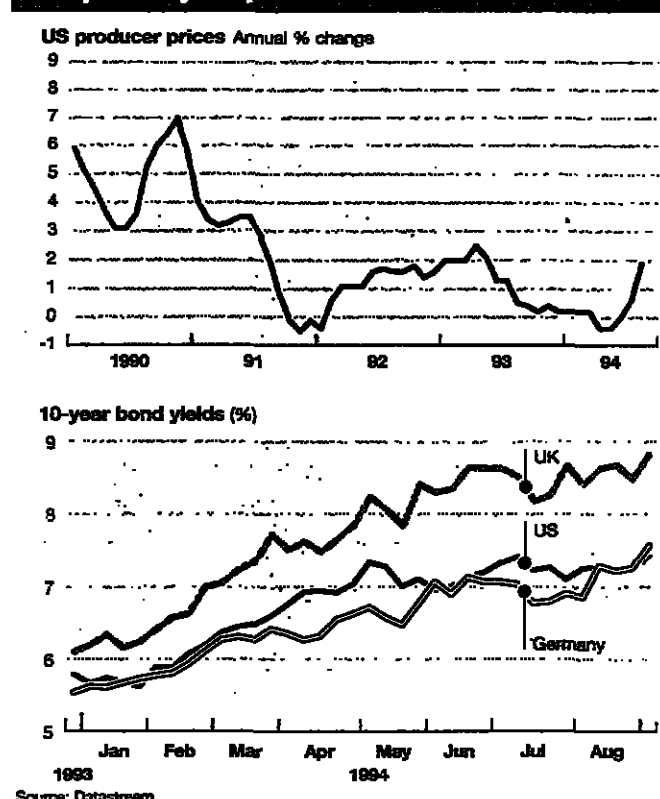
Industrial Average fell 35.33 to 3,873.13 by 1pm, and bond prices dropped steeply. The fall in bonds pushed the long bond yield, the most widely followed measure of long-term interest rates, up to almost 7.7 per cent - its highest level since July.

The sell-off on Wall Street spread to Europe, where early gains quickly turned into losses as traders scrambled to unload the more hopeful positions they had taken earlier in the day. In London, the FT-SE 100 index of leading stocks closed down 40.7 at 3,139.30, and in Frankfurt the Dax index ended 22.53 lower at 2,155.58. The Paris CAC-40 dropped 2.2 per cent from its day's peak and 34.57 points on day, to 1,945.83.

The US data also sent European government bonds tumbling as the prospect of another rise in US rates dashed any lingering hopes of further monetary easing in Europe. "It is another nail in the coffin of those who believed that further cuts in Europe were likely," said one bond salesman. "Many more people are moving to the bear camp."

A further worry was that the

US price jump hits world markets



price fall was accompanied by some relatively heavy selling of cash positions, suggesting that fund managers were growing tired of waiting for a recovery in bond prices.

UK gilts fell by 2 points at one stage, sending the yield on 10-year paper up by 26 basis points to 8.82 per cent, the highest level since June. German government bonds were also weak, pushing 10-year yields back above 7 per cent.

The producer price data also prompted a sharp fall in the dollar, with traders fearing that another policy tightening might

be required. The US currency was trading at DM1.5383 in the afternoon in New York, down from a high before the figures of DM1.5620.

The weaker dollar helped sterling, which firmed to \$1.55, from \$1.54 before the release of the price figures, but the pound fell two pence against the stronger D-Mark, to DM2.3850, from DM2.4050. The sharp and adverse market reaction was prompted by the US government report of the largest single monthly increase in wholesale prices for nearly four years. The Labour Department said that the producer price

index in August had risen by 0.8 per cent from July, the biggest jump since the 1.1 per cent increase of October 1993.

The advance, in excess of market expectations, comes on top of a 0.5 per cent rise in July compared with June, when no increase was recorded. In the first eight months of this year, wholesale prices have gone up at an annual rate of 2.9 per cent.

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London stocks, Page 13
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De Beers accuses Russia of \$500m gem 'leak'

By John Lloyd in Moscow

De Beers has accused Russia of "leaking" up to \$500m (£322.5m) worth of uncut diamonds on to the world market, seriously violating the agreement between the South African group's Central Selling Organisation and the Russian producers.

The company believes the contract, vital to maintaining control of rough diamond prices, may not be renewable after the end of next year, when it expires.

Talks in Moscow this week between De Beers executives and the Russian Committee on Precious Metals, together with Mr Anatoly Golovaty, the deputy finance minister, on the huge level of unofficial sales brought the two sides no closer together. The company's executives remain pessimistic about future co-operation.

Russia is the second-largest diamond producer after De Beers' own production in Botswana and South Africa. Its defection from the De Beers-controlled cartel would be likely to set off a price war that could send prices tumbling. The CSO sold a record \$2.6m (£1.67m) of diamonds in the first half of 1994.

De Beers has limited scope for reasserting order in the market, in spite of its traditional domination of diamond sales. If it refuses to renew the agreement, it will be faced with a large

Continued on Page 22

Major calls for nationwide drive against 'yob culture'

By Ivor Owen, Parliamentary Correspondent

Mr John Major yesterday called for a drive to dispel public despair over crime as he declared war on "yob culture" and indicated a growing leaning towards identity cards.

While insisting that Britain is safer, more civilised and more secure than most countries, the prime minister admitted: "When I talk to people I sense that the fear of crime is greater than I can ever remember."

Mr Major advocated the building of "a huge national partnership against the criminal, in every city and county, every workplace, every school and every home".

The prime minister underlined

the importance attached by the Conservative party to regaining its lead on law and order issues. In the run-up to next month's Tory conference, the prime minister was also keen to address the Tory activists' favourite issue.

But Mr Major's call for a crime crackdown was greeted with scepticism in some quarters. Mr Peter Cadbury the former head of Westward Television who announced, after his home was burgled last month, that he would no longer provide financial support for the Conservative party, was far from encouraging. He doubted whether it would be possible to build a partnership against crime and forecast that the Tories would be "wiped out" at the next general election.

Mr Major called on magistrates to make full use of their powers to give tougher sentences for so-called "petty offences".

The prime minister said he looked for "a real national effort to build an anti-yob culture" ruled out legalising cannabis and other soft drugs and hinted that the government was close to being persuaded that identity cards should be introduced.

He said: "Anything that could check crime and cut fraud must be worth a look. It is crime and the fear of crime that most violate our civil liberties." Outlining measures already in place, he said they would cut down the "scandalous over-use of cautioning for persistent offend

Continued on Page 22

STOCK MARKET INDICES	
FT-SE 100	3,139.30 (-40.7)
Yield	4.03
FT-SE Eurotrack 100	1,370.0 (-0.98)
FT-SE-A All-Share	1,575.98 (-1.19)
Nikkei	19,897.8 (-19.3)
New York: S&P 500	2,872.80 (-34.88)
Dow Jones Ind Ave	2,872.80 (-34.88)
S&P Composite	488.55 (-4.59)
LONDON MONEY	
3-mo interbank	8.3% (same)
Life long gilt	100% (Dec 100)
US INDEXTIME RATES	
Federal Funds	4.75%
3-m Treasury Bill	4.877%
Long Bond	8.7%
Yield	7.689%
NORTH SEA OIL (Argus)	
Brant 15-day (Oct)	\$16.41 (16.44)
STERLING	
New York lunchtime	\$ 1.5522
London	\$ 1.5509 (1.5455)
DM	2.3914 (2.4051)
FFr	8.1938 (8.2422)
Sfr	1.9948 (2.0137)
Y	153.95 (153.618)
E Index	78.6 (78.8)
S Index	82.5 (82.8)
Tokyo Y	98.55
DOLLAR	
New York lunchtime	DM 1.5419 (1.5582)
DM	1.53736
FFr	6.2695
Sfr	1.2915
Y	99.2
DM	1.5419 (1.5582)
FFr	6.2695 (6.3332)
Sfr	1.2982 (1.303)
Y	99.25 (99.4)
S Index	82.5 (82.8)
Tokyo Y	98.55
GOLD	
New York Comex (Dec)	\$395.8 (394.8)
London	\$391.85 (391.5)
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NEWS: INTERNATIONAL

Ailing French president prepares the ground for the judgment of history

Mitterrand wields double-edged sword

By David Buchanan in Paris

In recent days François Mitterrand has been behaving like a man clearing his desk, putting a gloss on his presidential record for posterity, and emptying out dusty drawers before the historical cleaners arrive to uncover more murky incidents in his past.

One of his doctors affirmed yesterday that the president, whose 78th birthday falls next month and who has been suffering from prostate cancer for at least two years, was "fine". And indeed on Thursday Mr Mitterrand was in Berlin to take the farewell to his country's troops there, and he was back in Paris yesterday to greet President Jiang Zemin of China with whom he will sign some big-figure trade contracts today.

But what the president has told Le Figaro newspaper in two long interviews this week, and Mr Pierre Pén, the author of a startling book on the 1936-47 period of his youth, has left an extraordinary ambiguity around everything, including his health. He told Le Figaro that he reckoned his cancer "will be obliging enough for me to finish my term" which ends next May, but also said he was conscious that he would only be around "for a few months or years".

As Mr Mitterrand, a specialist in ambiguity, well realises, such comments only fuel the uncertainty in the markets and the French political world about an early election. In addition, the Socialist president has managed to spray criticism and praise around in such a way as to help destabilise French conservatives. This

would be wholly welcome to his own party, if it were not the fact that revelations about his right-wing and Vichyist associations before, during and after the second world war have shocked many Socialists. It was already known that the young Mitterrand participated in some right-wing movements before the war, and that after his escape from a German prisoner camp in 1941, he worked for the Vichy administration for a year or so before sliding into the resistance.

But what has shocked many French is the disclosure of Mr Mitterrand's friendly associations with Mr Jean-Paul Martin and Mr René Bousquet, senior officials in the Vichy police. Mr Mitterrand, while president, apparently attended Mr Martin's funeral in 1986. He

also told Mr Pén that he considered Mr Bousquet "sympathetic", yet as president he inaugurated a day of national mourning for one of the Jewish deportations in 1942 of which Bousquet was accused. The latter was assassinated last year before he could face war crimes charges.

In the same interviews, Mr Mitterrand also delves into his more recent past. He says, for instance, that his 1989 call for a Europe-wide confederation was misinterpreted as a bid to keep eastern Europe out of the European Union, and that his 1991 resistance to German calls to recognise ex-Yugoslav republics' borders was not an attempt to freeze the Titoist order there.

But of more current interest are the various stones he casts in the path of Prime Minister Edouard Balladur by revealing

divisions in the conservative government over whose Wednesday cabinet meetings he presides. In addition to warning rank-and-file Gaullists of "the certain tendency" of their government "to re-enter the ranks of Nato", he also notes that Mr Alain Juppé, the foreign minister, sided with him - and against the prime and defence ministers - on intervention in Rwanda. On Algeria, he points out the way that Mr Balladur sided with Mr Charles Pasqua, the interior minister, and against Mr Juppé.

Anything resembling praise for Mr Juppé is tacit encouragement to Mr Jacques Chirac, whose presidential bid the foreign minister backs against that of the prime minister. Clearly, the president intends to go on dividing before he stops ruling.

US upsets Paris with OECD demand

By Guy de Jonquieres in London and Lionel Barber in Brussels

The Clinton administration has expressed its firm opposition to Mr Jean-Claude Paye continuing as secretary general of the Paris-based Organisation for Economic Co-operation and Development after his term expires at the end of this month.

An unusually blunt US statement, sent by the State Department to the Washington embassies of other OECD members this week, has angered the French government, which will seek EU backing for Mr Paye's candidacy at informal meetings of foreign and finance ministers in Germany this weekend.

The statement, ruling out Mr Paye's reappointment even on a stop-gap basis, reflects increasing impatience at what Washington regards as European foot-dragging over decisions on the OECD job and the future development of the body.

The EU ministers will also seek to agree on candidates for the top jobs at Nato, the Western European Union and the World Trade Organisation, the planned successor to the General Agreement on Tariffs and Trade.

Mr Willy Claes, the Belgian foreign minister, yesterday won his government's support as candidate for secretary general of Nato, succeeding Mr Manfred Wörner, who died last month.

Consensus at this weekend's meetings could be hard to achieve if EU governments insist on linkages between the various posts. Some of France's partners fear it may demand that they back Mr Paye for the OECD in return for French support for Mr Renato Ruggiero, an Italian former trade minister, as the EU's candidate for the WTO.

French officials were discouraging such speculation last night.

OECD ambassadors will again seek to agree on who should fill the post in Paris on Thursday. The other candidates are Mr Don Johnston, a Canadian former politician strongly backed by the US, which argues Mr Paye's 10 years in the job is enough; Lord Lawson, the former UK chancellor of the exchequer; and Mr Lorenz Schommer, a senior German economics ministry official.

Mr Claes is competing for the Nato post against Mr Thorvald Stoltenberg, the Norwegian foreign affairs minister and UN mediator in former Yugoslavia, and Mr Hans van den Broek, the Dutch EU commissioner responsible for external political affairs.

Though Mr Claes won widespread approval for his performance as Belgium's prime minister, he is unlikely to win the post of secretary general of the EU last year, diplomats in Brussels said yesterday there was behind-the-scenes pressure on Mr Douglas Hurd, the UK foreign secretary, to stand. Mr Hurd, however, is said to be reluctant to move.

If Mr Claes were to succeed Mr Wörner, it would most likely mean the removal of Mr Karl Van Miert, the popular Belgian EU commissioner for competition policy. Because both Mr Claes and Mr Van Miert are members of the Flemish Socialist party, other members of the governing coalition would most likely demand compensation. Belgium is also the only nomination for the next European Commission, which begins next January.

The German government confirmed yesterday that its two candidates to be members of the next European Commission would be Mr Martin Bangemann, the current industry commissioner, who is a member of the minority Free Democratic party in the Bonn coalition, and Mrs Monika Wolf-Mathies, leader of the 8TV public sector workers' trade union, nominated by the opposition Social Democrats.

INTERNATIONAL NEWS DIGEST

Dehaene plea to Schneider chief

Mr Jean-Luc Dehaene, Belgium's prime minister, yesterday called upon Mr Didier Pigneur-Valencienne, the fugitive French industrialist and chairman of Groupe Schneider, to surrender to Belgian authorities. Mr Dehaene warned that "no person is above the law," he said. Mr Dehaene's intervention threatened to exacerbate strains between Belgium and France over the fate of Mr Pigneur-Valencienne, who faces charges of fraud and embezzlement relating to Coffimines and Cofibel, two Belgian subsidiaries of Groupe Schneider. The Schneider board yesterday issued a formal statement in support of Mr Pigneur-Valencienne. The statement followed an emergency board meeting called to discuss the international arrest warrant issued by Pigneur-Valencienne obtained by the Belgian judge investigating the alleged fraud.

Mr Pigneur-Valencienne has pledged to co-operate with the Belgian authorities, but only on condition that the interviews take place in France under the supervision of French authorities. His cause has been taken up in France, notably by Mrs Edith Cresson, the former Socialist prime minister and one of France's two nominees to the next European Commission. *Lionel Barber, Brussels, and Alice Rasmussen, Paris.*

Russians study Iraq oil plans

A consortium of Russian oil companies is developing plans to invest in Iraq in anticipation of the possible lifting of United Nations trade sanctions by 1997. The Russian consortium, consisting of Lukoil, Mashinimport, and Zarubezhneft, has been talking to Iraqi officials for months about developing existing projects. Zarubezhneft, which handled overseas oil projects in the Soviet era, has worked in Iraq before. But Mr Vagit Alekperov, Lukoil's president, has fleshed out plans in recent meetings with senior officials from the Iraqi oil ministry. Lukoil, one of the new generation of privatised Russian oil companies, is now planning to exploit the western Kurna and northern Rumaila fields in northern Iraq. It is reportedly willing to negotiate initial investments of \$500m to \$1bn but would need a total of \$2.5bn (£1.5bn) for oil prospecting and equipment supplies. *John Thornhill, Moscow.*

Moscow 'cannot join Nato'

Russia cannot be integrated into the European Union, or into Nato, Mr Volker Rühe, Germany's defence minister, said yesterday. He told a meeting of US and German defence, economic and political officials in Berlin that while some eastern European countries would eventually join the EU and possibly Nato, Russia was an entirely different "quality". He added that the special co-operation which had developed among the 16 Nato countries over the years would be "endangered" were Russia to join. Mr William Perry, the US secretary of defence, said the decision by Nato's Partnership for Peace to include Russia was based on the need to co-operate with Russia to minimise the threat of a nuclear holocaust, happening. "That fact must always be at the centre," *Judy Dempsey, Berlin.*

New US Europe trade strategy

The US will launch a new Europe-wide commercial strategy aimed at increasing trade with western and eastern Europe, Mr Jeffrey Garten, US under-secretary of commerce, said yesterday in Berlin. He said Washington's trade ties with Germany would form the basis for this strategy, as well as providing a crucial stepping stone for US companies seeking to expand into eastern Europe. He told a meeting of senior US and German political and economic officials: "Commercial issues have moved to the centre of our foreign policy. How we handle this aspect of our relationship [with Germany] will be a driving force for the broader ties we seek in the arenas of politics, security and culture." *Judy Dempsey, Berlin.*

Palestine aid talks break down

Talks on foreign aid to support Palestinian self-rule broke down yesterday in an Israeli-Palestinian dispute over whether some of the funds could be used in east Jerusalem. The conflict drew a rebuke from the World Bank, sponsor of the talks, which said the aid issue was too important to be "derailed by the two main parties". The bank indicated it would try to resume the negotiations, but set no date for reconvening the delegations from donor nations. A Palestinian official said 6 per cent of the Palestinians' \$180m 1994 operating budget was proposed for projects in Jerusalem. *AP, Paris.*

India borrowing curb

Indian officials yesterday signed an agreement to cap the government's borrowing from the country's central bank, aiming to curb public sector over-spending. The government is limiting itself to borrowing a maximum of Rs800m (£1.2bn) from the Reserve Bank of India, the central bank, in the current financial year. It is also accepting a ceiling of Rs900m on the net amount it can borrow for periods of over 10 days during the financial year. Similar ceilings are to be set in 1995-96 and 1996-97 after which the government will stop borrowing directly from the central bank and will raise funds from the markets.

● The rate of growth of India's exports, an important test of its economic liberalisation programme, is slowing markedly. Exports in July were 6 per cent up on July 1993. *Steven Wagsy, New Delhi.*

Taiwan's investors shun China

Approved Taiwanese investment in China fell sharply during the first eight months of 1994 to \$652.1m, down 31 per cent from the same period in 1993, according to government figures published yesterday. For 1993, Taiwanese commitments in China totalled \$3.17bn. Taiwan's overseas investments to August, apart from those in China, climbed 15 per cent from a year earlier to \$1.55bn. The government said the decline in investment attributed the rise to increased funds flowing into the British Virgin Islands, through which Taiwanese companies may invest in Europe without paying tax. Such investments jumped 137 per cent to \$221.4m, making the islands the largest investment destination so far this year. China's mishandling of a murderous attack on 24 Taiwanese tourists in China's Zhejiang province in late March dealt a blow to investor confidence. *Laura Tyson, Taipei.*

Cosatu leader re-elected

The Congress of South African Trade Unions (Cosatu) yesterday re-elected incumbent general secretary Mr Sam Shilowa and pledged to strengthen its formal political alliance with the African National Congress and the South African Communist party. The unopposed election of Mr Shilowa at the federation's national congress in Soweto quashed speculation that he would be challenged for the position, while approving continued links with the ANC seemed to show willingness to co-operate with, rather than oppose, the government. The federation has been struggling to define its role since many leaders left the trade union movement for political office, and tensions between the ANC-led government and Cosatu have risen over a recent wave of strikes. *Mark Suzman, Johannesburg.*

First Family ties flourish

Two men with family ties to the White House survived primary elections in Florida on Thursday. Mr Hugh Rodham, brother of the First Lady, finished first in the Democratic contest to field a candidate against Republican Senator Connie Mack in November. But his 34 per cent forces him into a run-off poll on October 4. If he wins then, his chances against Mr Mack are still reckoned small. Mr Jeb Bush, second son of former President George Bush, won the Republican primary in the governor's race with 46 per cent and also faces a run-off for the right to fight Mr Lawton Chiles, the incumbent Democrat, in what is predicted to be a close race. Mr Jeb Bush's older brother, George Jr, is also in a governor's race as a Republican - in Texas against the incumbent Ms Ann Richards. *Jurek Martin, Washington.*

Bundesbank member hits at move to soften Emu terms

By David Marsh

Mr Reimut Jochimsen, a leading member of the Bundesbank's decision-making council, yesterday attacked attempts to relax the terms under which European Union states could take part in economic and monetary union.

Speaking at an informal meeting of European finance ministers was getting under way to discuss the issue in southern Germany. Mr Jochimsen said a big operation for softening the convergence criteria was already starting. In remarks at an Anglo-German university conference in Oxford, he opposed indications that European finance ministers may decide that Ireland meets the terms, in spite of its large government debt.

Ireland's government debt was about 90 per cent of gross domestic product, well in excess of the 60 per cent level set by the Maastricht Treaty. Mr Jochimsen pointed out, "This gives the wrong signal," he said, adding that Belgium, Italy and Greece had even more acute debt problems. He welcomed debate last week's proposals from Germany's Christian Democrats on differing paces of European integration.

However he doubted the wisdom of proceeding to monetary union with "core members" at a time when the European Union had to open membership to the east.

He underlined the Bundesbank's longstanding wish that monetary union should be embedded in a full-scale political union embodying the principle of subsidiarity - carrying out decision-making as closely as possible to the local level.

"If we want to take this powerful step of Emu we will need a federal order in Europe, no one wants a superstate, but unless we have the right framework it might be necessary, as a last resort, to give up this project."

Mr Jochimsen expressed concern that acceptance was growing only "very hesitantly" of the need for a common political roof for monetary union. He said Germany's original request before the Maastricht summit in December 1991 for thoroughgoing steps towards political union had not been simply a bargaining tactic. Rather, it was a crucial precondition to make Emu work.

CIS strengthens economic ties

By John Lloyd in Moscow

The Commonwealth of Independent States yesterday agreed to form a payments union and an interstate economic committee in a drive to strengthen economic ties.

The interstate economic committee, described by Russian deputy prime minister Alexander Shokhin as roughly equivalent to the European Commission, is designed to put into effect the economic treaties signed by members of the CIS, but often not implemented. The payments union is an attempt to achieve relatively speedy settlement of accounts between states with independent, and non-convertible, currencies.

An official communiqué from a meeting of CIS prime ministers in Moscow yesterday said both mechanisms were approved by all members except the central Asian republic of Turkmenistan and the Caucasian republic of Azerbaijan. Representatives of these two states asked for further time to study the plans after saying they would dilute their sovereign rights.

At the meeting Ukraine showed it still wanted to keep its distance from a closer union with the Russian-dominated body, in spite of the election of a more pro-Russian president in Mr Leonid Kuchma earlier this year. Mr Vitaly Masol, the Ukrainian prime minister, said that since the proposal for a payments union assumed the free convertibility of national currencies at their market price, it



Russia's Victor Chirchomiridze, left, and Vitaly Masol of Ukraine share a joke at the CIS prime ministers meeting in Moscow yesterday

should be brought in slowly through bilateral agreements between the states. "For the free floating of the Ukrainian coupon we need a stabilisation fund and gold reserves, neither of which we have."

Mr Igor Mityukov, Ukrainian vice premier for the economy, said Ukraine did not intend to change its status as an associate member of the CIS economic union - and thus it could only become an associate member of the interstate economic committee, taking part only in selected discussions.

● Russia's regional governors yesterday demanded that the government erect tariff walls to protect Russian industry against the "uncontrolled" flood of foreign imports. Mr Nikolai Sevriugin, governor of the Tula region and an emissary from a meeting of the Union of Governors in Yaroslavl, told government ministers that "the untimely policy of opening the doors to exports will lead to the extinguishing of Russian consumer goods and other industries". At the meeting, Mr Oleg Sos-

kovets, the first deputy prime minister, said he would respond "positively" to a proposal from Rosugol, the Russian state committee for coal production, for subsidies initially amounting to Rb110m (\$50m) to subsidise coal exports and raise the planned sales to Europe from 9m tonnes to 18m tonnes this year rising to 30m next year. The ministers also agreed to increase subsidies to coal transport so that the tariffs paid by the producers are cut by 50 per cent.

Pope picks up remnants of peace mission with visit to Zagreb

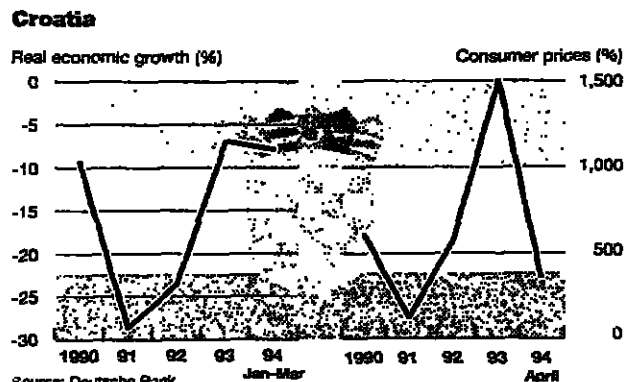
By Laura Silber and Anthony Robinson

Sarajevo's beleaguered status and fragile security was cruelly underlined by the Pope's decision to abandon his planned visit this week. But the Pontiff is assured of an enthusiastic welcome when he arrives in Zagreb today for his long awaited visit to the capital of staunchly Catholic Croatia.

The first papal visit formally celebrates the 900th anniversary of the establishment of the Zagreb diocese. But it was originally planned as part of a more ambitious scheme to visit the three feuding capitals of former Yugoslavia to lead a return to religious and cultural co-existence between those of Catholic, Orthodox and Islamic belief.

Gunmen, and fear of another assassination in the city where a Serbian nationalist fired the shot which ignited the first world war, scuppered the first speech. A hostile reaction from the orthodox church prevented the Pope's healing words being heard in Belgrade.

The risk now is that the



Pope's visit to Zagreb alone will be twisted by propagandists as evidence of Vatican support for the Croatian president, Mr Franjo Tudjman, and behind the scenes support by the world-wide Catholic church for one side in the Yugoslav conflict.

In fact the Vatican has never hidden its reservations over the personality and policies of Mr Tudjman, a former communist general turned Croat nationalist. His insensitivity to the fears of Croatian Serbs at the time of independence

played into the hands of Mr Slobodan Milosevic, his Serb counterpart, and contributed to the post-independence uprising by ethnic Serbs in Slavonia and the Krajina regions.

The independent Croatia which the pope is visiting this weekend is not the prosperous, independent state dreamed of by Croats for centuries. It is a rump state with one-third of its territory controlled by Serbs who possess the most fertile land in Slavonia and block access to the Dalmatian coast which once provided more

than \$1bn a year in tourist earnings.

It is also a country still at war in neighbouring Bosnia where Zagreb's clandestine deal with Belgrade for a two-way territorial carve-up and initial support for Croat nationalists degenerated into a three-way conflict. Again it was largely discreet papal diplomacy which persuaded Mr Tudjman to lean on the Bosnian Croats and persuade them to accept the uneasy Croat-Muslim alliance which currently prevails.

For a brief weekend the papal visit will raise the spirits of the Croat nation. He will call for reconciliation, address the rights of minorities and call for the return of refugees. They will be words of special relevance for the estimated 250,000 Croats and ethnic Hungarians driven from their homes in 1991 and hoping that the Pope will be able to perform the miracle which continues to elude armies, politicians and international negotiators. The unanswerable question is whether the Serbs, with similar hopes and fears, will be listening.

Mappin and Webb opens Prague store

Vincent Boland wonders whether Czechs are ready for the ultimate in consumerism

The Czech Republic's new rich, thanks to the country's breakneck economic transformation, are no strangers to German cars, French perfumes, Italian clothes, Japanese electronics and American computers. Now they have been asked the ultimate consumer question: Are they ready for a hand-made, diamond-studded, £45,565 René Bolvin wrist watch?

One man who thinks they are is Mr Naim Attallah, chief executive of Asprey, the London jeweller which owns Garrard, the crown jewellers, and Mappin & Webb, the upmarket jewellery and luxury goods chain. Yesterday

Mappin & Webb opened in Prague. "I've got a good hunch about Prague," said Mr Attallah, explaining why he chose the Czech capital as Mappin & Webb's first European store outside the UK. "It's new, it's enterprising, people are making money."

Mr Attallah said he believed Mappin & Webb's £2.5m investment in the new store, located on the main tourist route through the centre of Prague's Old Town, would show immediate results. He said he expected turnover of \$2m in the first year and profits of about £150,000.

"The risks are very minimal," he

said. "It is definitely not too early to go in."

The store's main target is not, he insisted, the thousands of tourists who pass its front door every summer as they traverse Prague's famous Royal Route.

"We are opening for Czech business," he said, adding that the store stocked more affordable items, too.

Ms Wm Marshall, Mappin & Webb's promotions manager, who is overseeing the launch of the store, said the intention was to offer a little bit of English tradition.

Private viewings may be arranged for

top clients, and serious customers will be offered tea or a glass of wine as they consider a fine diamond, or a sterling silver cutlery set. This will certainly make a change from the scowls that often greet customers at many Prague stores.

Mr Attallah said he originally planned to open a store in Shanghai, another city rediscovering the taste for free-wheeling capitalism and the material benefits it can bestow. He decided on Prague after "wearing my feet out" wandering around the city one sweltering evening earlier in the summer, following a visit to the opera.

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British Airways affirms its partnership with the financially troubled US carrier

USAir disaster is fifth in five years

By Paul Betts, Aerospace Correspondent

US federal aviation investigators yesterday mounted a search to discover the cause of the fifth crash of a USAir passenger aircraft in as many years, which was feared to have killed all 133 people on board.

The accident is a further blow to the financially troubled airline, in which British Airways holds a 24.6 per cent stake, and led to the brief suspension of USAir's shares on the New York stock exchange.

But Sir Colin Marshall, BA's chairman, said in Atlanta the UK carrier had no plans to pull out of its partnership with USAir, the sixth largest US carrier which is trying to put together a sweeping restructuring package to stem heavy losses. He denied suggestions that the US carrier's financial problems were connected to the crashes. The accident, involving a Boeing 737-300 twin

engine aircraft on its landing approach near Pittsburgh airport on Thursday night, was the worst in the US since a Northwest Airlines McDonnell Douglas MD-80 crashed on take-off at Detroit in 1987, killing 158 people.

Although investigators were reported to have found the aircraft's "black box" flight recorder, which they hoped would provide clues to the cause of the crash, officials yesterday said the cause could take weeks to establish because of what one called "the severity of the accident."

The aircraft, en route from Chicago, was preparing to land when it plunged into a ravine about half a mile from a shopping centre. Some witnesses said the aircraft lost power and appeared to have suffered a shutdown of both engines. Others said there was an explosion before the aircraft nosedived into the wooded ravine.

Weather conditions were clear in the area before the

crash. Pittsburgh airport lost radar contact with the aircraft at 6,000ft seven miles west of the airport, a Pittsburgh airport official said.

BA has extensive commercial links with its US partner and has already warned it will not inject any further money into USAir until it is satisfied with the restructuring. It has also warned it may write off its \$400m (£258m) investment in the airline.

In New York, USAir shares dropped by 10 per cent to \$6 in the morning on heavy volume of 1.5m shares. BA shares yesterday closed in London 9p lower at 401p, reflecting the overall decline in the stock market but also concerns over USAir.

The crash came just before public hearings into another fatal accident this year, involving the crash during a thunderstorm of a USAir McDonnell Douglas DC9 near Charlotte-Douglas airport in North Carolina on July 2 which killed 37



A daughter comforts her mother at Chicago airport after hearing of the USAir crash

of the 57 people on board. Boeing said the 737-300 which crashed on Thursday was delivered to USAir in October 1987. It also said that more

than 2,800 737s had been delivered to airlines throughout the world since 1987.

The 737-300, which can seat 128-149 passengers, is the mid-

sized member of the current second generation of the 737 family. Boeing has launched a programme to develop a new generation of 737s.

Cairo women worlds apart from UN ideologues

In the gloom of "Jimmy's" beauty parlour in the well-heeled Cairo suburb of Heliopolis, the United Nations prescriptions for "empowerment of women", which are being forged in the city's nearby conference halls, seem a world away, writes Bronwen Maddox in Cairo.

The walls of the parlour's cubicles for manicures and pedicures, decked out like underwater grottoes with sea shells, are scattered with soft-focus portraits of weddings and of intertwined hands wearing huge engagement rings.

Much of the opposition which has surfaced in recent weeks to the proposed policies of the UN Conference on Population and Development has been provoked by the perceived threat to traditional patterns of families and marriage.

One elegant woman leaving Jimmy's with coral-coloured nails to match her black and coral dress said that the women's groups she had seen on television reports about the conference had seemed "very feminist, very American."

Egyptian men - and women - have very traditional ideas of the woman's place in the family and I don't think that will change," she said.

Dr Nafis Sadik, executive director of the UN Population Fund, who is chairing the conference, has stressed that the UN policy document does not threaten traditional notions of the family.

That message has been reinforced by the Egyptian government which wants to maintain public support for its family planning programme to combat overcrowding and poverty. About half of Egyptian

women use contraception regularly, but the use is concentrated in the towns.

Outside the conference halls, however, it is easy to see how the UN proposals to increase women's educational opportunities, encourage them to marry later, and give them equal opportunities at work, seem uncomfortably foreign and militant.

In particular, the UN exhortations that women should have equal rights at work are met with scepticism by many Cairo women. The kind of discrimination at work of which Dr Sadik has been inveighing against is evident two doors up from Jimmy's, at Chez Samir, a renowned hairdressing salon.

Washing and switching on the hairdryers is left to the quiet teenage girls, but it is made clear that the business of hair styling is the preserve of the five men. They approach it like engineering, constructing a scaffolding of rollers, pins, steel grips and thick hairspray on top of client's head to get the greatest height possible.

Judging from the reaction of customers and staff, Dr Sadik's fears that the enduring public memory of the conference will be the much-publicised row over abortion policy, rather than the central questions of contraception and women's rights, are justified.

"I am not against the conference, you understand," says Miron, a Cairo dentist in her late 20s. "But there has been so much fuss about abortion, I wonder if the conference has looked at the right questions."

Others are sceptical that the conference will have much lasting effect.

One customer leaving the salon said: "The main thing it has changed is that the traffic is better because of all the police in Cairo in order to protect the security of the delegates."

Seoul to ease hard line over N Korea

By John Burton in Seoul and Judy Dempsey in Berlin

South Korea yesterday indicated it may pursue a more conciliatory policy toward North Korea, reversing its recent tough approach to Pyongyang.

The government of President Kim Young-sam has been criticised for its North Korean policy, which is leaving Seoul increasingly isolated as Washington and Pyongyang conduct negotiations on possible diplomatic ties.

US diplomats will make an unprecedented visit to the North Korean capital today to begin talks on setting up liaison offices between the two countries as part of a deal under which Pyongyang would accept full nuclear inspections.

The two sides will also meet in Berlin where Mr William Perry, the US defence secretary, said he was prepared to offer North Korea "substantial incentives" in return for Pyongyang dismantling its nuclear weapons capacity.

The softening of Seoul's stance on the North is believed to result from talks held in Washington earlier this week between Mr Han Sung-joo, the South Korean foreign minister, and Mr Warren Christopher, US secretary of state.

The US agreed that progress in US-North Korean relations would have to be linked to an improvement in inter-Korean dialogue, but it is believed that Washington asked South Korea to improve the atmosphere for a resumption of talks between Seoul and Pyongyang.

In a sign of compromise during the Washington talks, South Korea agreed to accept liaison offices between the US and North Korea, according to a senior adviser to the foreign ministry.

The Seoul government has conducted an inconsistent policy over the North Korean nuclear issue since it erupted 18 months ago, alternating conciliatory gestures with tough statements. This reflected deep divisions in the government over the appropriate response to solving the North Korean problem.

Following the death of North Korean President Kim Il-sung in early July, President Kim Young-sam adopted a hardline stance toward the North. He predicted that North Korea was close to collapse and indicated that a planned summit between the two leaders would not be held as it would give a stamp of legitimacy to Pyongyang's new leadership under Mr Kim Jong-il, the late president's son.

He also ordered a crackdown on leftist students who expressed sympathy for North Korea, amid allegations that radicals had infiltrated the political establishment and media.

Analysts said the tough policy was meant to reverse a recent drop in Mr Kim's popularity and bolster his support among conservatives, including the 7m South Koreans who once lived in the North before escaping after the communist government took power in 1945.

But the South Korean media have spoken of a "crisis in diplomacy" in recent weeks.

Japan on slow but sure road to recovery

By William Dawkins in Tokyo

The Japanese economy's crawl towards recovery became official yesterday, when economic ministers endorsed a report stating that better times were just around the corner.

Japan "is moving toward recovery at a gradual pace," according to the latest monthly report by the government's Economic Planning Agency, slightly more cheerful than the previous month's observation that the economy was "pulling out of the slump". Mr Masahiko Komura, the agency's director-general, said this was not a declaration of economic recovery, merely that the economy was moving that way.

The EPA's monthly reports, closely watched by the financial community for minute changes in wording, are of less

practical than symbolic importance. EPA watchers say the previous report did not mention "recovery".

Yet this latest attempt to spread mild optimism over an end to nearly three and a half years of recession, the longest since the second world war, fell on sceptical ears yesterday. It produced not a twitch in the government bond market, and a chorus of doubt from business leaders.

The agency wrongly declared that the economy had bottomed out last year, so businessmen are almost superstitiously reluctant to believe it this time.

"Bright factors are certainly spreading, but I believe it only means that the economy is coming out of the worst period, and I have no feeling of real recovery yet," said Mr Sho-

ichiro Toyoda, chairman of both Toyota, Japan's largest car maker, and of the Keidanren business federation. Less circumspect than his Keidanren counterpart, Mr Takeshi Nagano, president of the Nihonren employers' federation, warned that a rise in personal spending might be a one-off, brought on by the hot summer and an income tax rebate. "I cannot be optimistic," he said, citing the impact of the yen's continued strength on Japan's export-dependent manufacturing industry.

Despite business leaders' doubts, the EPA report does back up the more respected Bank of Japan's recent quarterly Tankan survey of business confidence. Its most recent Tankan, early this week, indicated that a fragile recovery is emerging, con-

strained by a weak jobs market and a continued decline in corporate investment.

The real test will be the EPA's publication in the second half of this month, of gross domestic product for the second quarter of the year.

Japan produced higher than expected 3.9 per cent annualised growth in the first quarter. Growth usually eases in the second period. So anything near the 1-2 per cent annualised increase that several private sector economists in Tokyo are expecting would prove the agency's moderate cheerfulness to be on the mark after all.

Japan's top four securities companies' research units have revised upward their forecasts for the earnings of leading quoted manufacturers in the year to next March.

Nomura, the largest and least optimistic, yesterday forecast that blue chip companies' pre-tax profits would fall for the fifth consecutive year, by 0.5 per cent. This is considerably less than the 2.7 per cent reduction it was expecting in June.

The other three - Yamachi, Daiwai and Nihko - are all forecasting that big manufacturers will show a clear recovery from four years of profit decline. The difference is that, unlike Nomura, they include steel companies' asset sales as earnings.

However, all four agree that a rise in exports, the fruits of corporate cost cutting and a recovery in domestic demand, helped by an unusually hot summer, are the main features in the improved profits outlook.

New floppy seems set to spur industry battle

By Michio Nakamoto in Tokyo

The 3.5-inch floppy discs that record computer data may not seem likely to lead the charge into the multimedia age.

But a significant advance in floppy disc technology looks set to spur a battle in the electronics industry over what format will dominate the market for next generation recording media.

Fuji Photo Film, the Japanese film maker, has developed an advanced 3.5-inch floppy disc which is capable of recording 50 times as much data as those currently in use.

This opens up the possibility for floppy discs to dominate future markets for portable recording media for the digital data created on the PC.

Conventional floppy discs have a recording capacity of just 4 to a maximum of 21 megabytes, which enables them to record data comprised

of only words and numbers. In the age of multimedia, however, recording media would need to be able to record moving pictures and sounds, as well as words and numbers.

This requires capacity on the scale of gigabytes, rather than megabytes. At their current capacity, floppy discs therefore would not be able to record multimedia information. Even magneto-optical discs, until now thought to be the frontrunners in the race to increase recording capacity, can record up to only 230 megabytes.

Fuji's development of floppy discs which can record up to 100 to 200-megabytes of information, puts floppy discs in the frontline of next-generation recording media along with magneto-optical discs.

An advanced floppy disc has several advantages over magneto-optical discs. While MO discs are a relatively new product, floppy discs are in wide use, with production reaching nearly 2.4bn units last year, according to the Ministry of International Trade and Industry.

Demand for floppy discs is expected to reach 3.5bn units in 1994, according to the industry. Not only would floppy discs be able to capitalise on their familiarity, they are relatively cheap to produce. The new floppy discs developed by Fuji Film can be used in conventional PCs by installing a special, relatively inexpensive, component.

● Kyocera, the Japanese high-technology company, has been ordered by the International Court of Commerce to pay LaPine Technology of the US and Prudential Bache Trade Corporation damages totalling \$27m for breach of contract.

Cubans bullish over UK trade delegation visit

By Canute James in Kingston

A high-level British trade mission to Cuba next week could lead to a "significant" increase in business and commercial ties with the European Union, to the detriment of US companies, according to Cuban officials.

The mission, led by Mr Ian Taylor, the trade and technology minister, will include representatives from the leisure, construction and manufacturing industries, and is the first official visit by a British minister in more than 20 years.

The officials said the visit could lead US business to put pressure on their government to relax or remove the 32-year economic embargo before they "lose all opportunities" for business with and in Cuba.

"We are open for business, and the world is realising this," said a Cuban government official. "We have a business climate which is better than that in most other countries of our size and our state of development. We have workers who are highly educated and are eager to work."



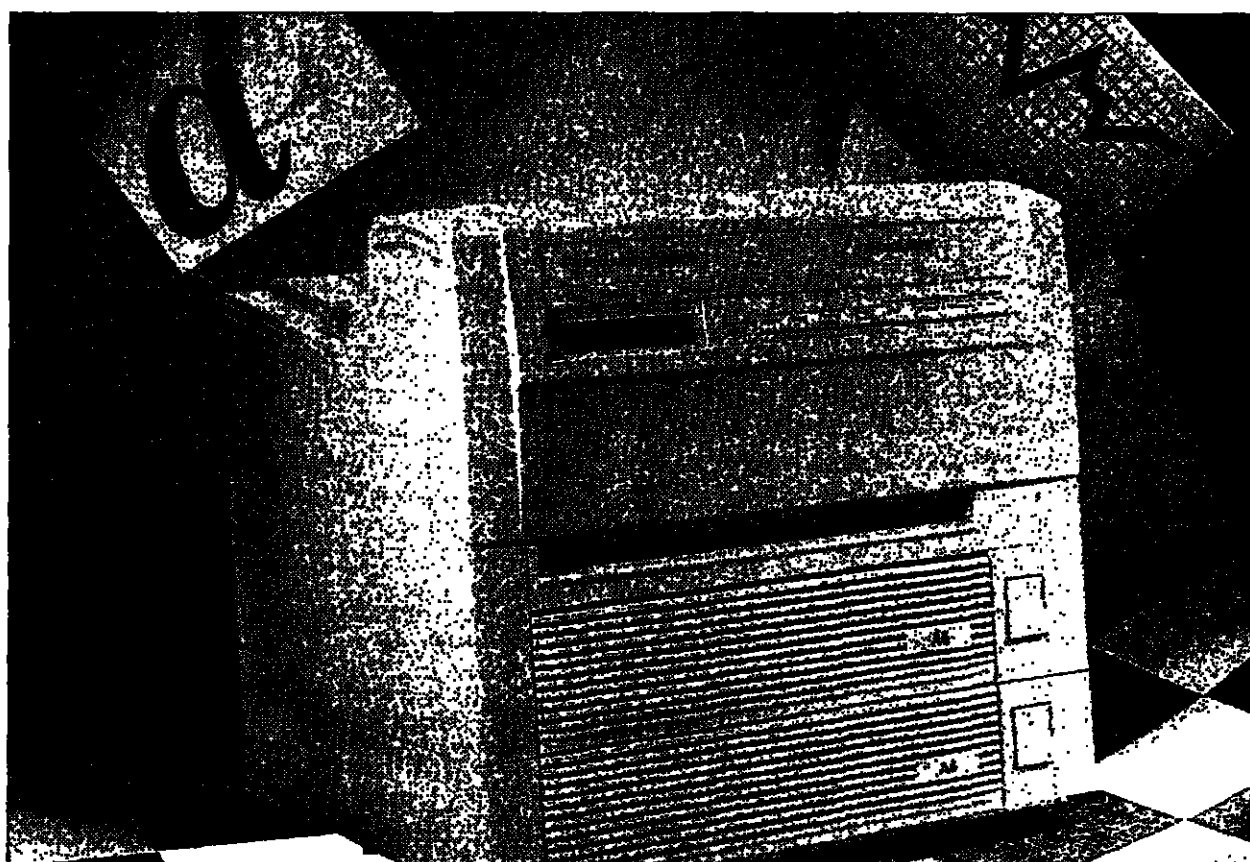
Castro: not one grain of sand

Infrastructure problems and deficiencies in utilities such as power and telecommunications are being mended, they say.

The British mission, in Cuba from Monday to Wednesday, will be encouraged to explore business opportunities in the form of joint or wholly-owned ventures in tourism, manufacturing, biotechnology and the marketing of a range of Cuban agricultural exports.

"Fidel (Castro) said recently that if the United States does not end the embargo soon, there will not be even one grain of sand left here for American business," said the Cuban spokesman. "The British and other governments and companies which are brave enough to ignore American pressure to reduce economic links with Cuba are getting in on the ground floor."

Aware of concern about the safety of foreign investments, the island's government will negotiate an investment protection treaty with Britain later this year, and will be willing to enter similar agreements with other countries, said government spokesmen.



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TEXAS INSTRUMENTS

NEWS: UK

Swan Hunter design team loses work offer

By Chris Tighe

The design team at Swan Hunter, the Tyneside shipbuilder in receivership, faces redundancy on Monday, after a proposal to offer it subcontract work was withdrawn yesterday by Construction Mécaniques de Normandie. Earlier this week the French company dropped its attempt to buy the yard as a going concern.

Most or all of the 100 design staff will lose their jobs on Monday unless receiver Price Waterhouse is able over the weekend to convert other expressions of interest in buying Swans as a going concern into firm propositions.

Joint receiver Mr Gordon Horsfield

said yesterday that the likelihood of this was a "long shot". Mr Horsfield, who earlier this week said prospects of a going-concern sale were now remote, said the redundancies were likely to be announced on Monday.

The loss of the design team would end the ability of the 164-year-old company, one of the world's great shipbuilding names, to tender for new work, in effect sealing its fate.

Their chances of staff finding alternative employment in the shrunken UK shipbuilding industry were further dented yesterday by an announcement from Yarrow, the Clyde warship builder, that it now has a "surplus" of 93 technical

staff, including drawing office employees.

At Swans, Mr Horsfield said negotiations were likely to start next week on a piecemeal sale of assets. Some deals, he said, could be concluded by the end of the month.

Swans is due to hand over its last vessel, the Type 23 frigate Richmond, on November 2. Although the company has shed 1,800 jobs since it went into receivership in May 1993, the fact it now has 600 employees and a virtually empty order book is a big impediment to any sale. Under the Transfer of Undertakings (Employment) Regulations, any going-concern purchaser would have to take on 28m of contin-

gent liabilities for the workforce, many of whom have worked at Swans for 20 years or more.

"It's a classic example of a situation in which potential buyers for a business have been frightened off by European legislation which is designed to protect employment," said Mr Horsfield.

The design team was to have been made redundant on August 31, but the deadline was extended to yesterday after CMN tabled revised purchase proposals 10 days ago following deadlock with the MoD over a previous plan.

On Monday, CMN and Price Waterhouse said they had been unable to agree terms for a going-

concern sale conditional on Swans first winning two years' work before CMN took over. CMN then put forward proposals to acquire Swans' Hebburn dry dock, the biggest on the east coast of Britain, and its intellectual property rights. It also proposed to offer the design team subcontract work up to the end of the year. It is still bidding for Hebburn and Swans' intellectual rights.

In a statement which indicated increasing frustration with CMN, Price Waterhouse said yesterday: "This is the third proposal we have considered from CMN/CMN in as many weeks, and each has failed to come to fruition. The frustration felt by the design team, and the bitter-

ness of the whole Swan Hunter workforce, can only be imagined as their hopes have been raised and dashed once again."

Mr Peter Chapman, Swans' MSF representative, said CMN now had no credibility with the workforce. "It's the way they have strung us along, and their indecisiveness."

Mr Fred Henderson, leader of CMN's bid team, said it had withdrawn its subcontract proposal yesterday after the receivers said it must start paying the design team's £200,000 monthly wage bill now without any certainty of acquiring the Hebburn dry dock. He said CMN wanted the dry dock to carry out shipbuilding.

Stock exchange urged to diversify

By Norma Cohen, Investments Correspondent

Stock exchanges which offer only one method of share trading, such as London, may need to diversify their range of dealing techniques or face a loss of business to new low-cost trading mechanisms, an article in the London Stock Exchange's Quarterly Review says.

An exchange which offers only a single trading mechanism may lose out at a time when alternative investment strategies are flourishing and trading needs exhibit growing variation," the article says.

The article, by Mr Bruce Weber of New York University, does not purport to be the view of the exchange itself. But many of its members, including some on the board, have been pressing it to accommodate an "order-matching" system alongside its existing market-making system.

However, London's market-making firms - some of its wealthiest and most powerful - oppose erosion of the system. An order-matching system simply matches the orders of a large group of buyers and sellers with each other while a market-making system designates securities firms who agree to buy and sell the shares of particular companies in large quantities in all market conditions.

Earlier this year the board approved funding to build the hardware necessary for an order-matching system, although it agreed to put off any decision on whether it should ultimately be built until the end of next year. Some board members fear competition from a new start-up order matching dealing system, Tradepoint, which is applying to become a regulated investment exchange in London.

The article concludes that "an exchange's best response may be to pre-empt these alternatives by offering a range of linked trading mechanisms including competing market maker quotes, limit order facilities and periodic crossing."

In his article Mr Weber says the drive towards order-matching systems, which has moved significant volumes of business away from the New York Stock Exchange, was prompted largely by the growing popularity of so-called "passive" investment management techniques. These require investors to compile a portfolio of stocks whose performance mimics that of a particular index, such as the Dow Jones Industrial Average and does not require the manager to buy or sell significant positions in a particular security at any particular time. Thus, the immediacy of trading offered by market makers is unnecessary, saving investors money.

However, the article points out that in some instances dealing costs through order-matching systems are higher than those of market making.

Managers' top pay in hospitals is £95,000

By Alan Pike, Social Affairs Correspondent

Britain's best paid hospital manager earned £95,000 last year, but was still worse off than counterparts in industry or commerce, says a survey published yesterday.

Pay of National Health Service managers has become subject to frequent political criticism since the government's health reforms gave trust hospital boards freedom to decide salaries locally.

The survey of 174 NHS trusts shows that chief executives of the country's biggest hospitals - handling annual budgets of more than £110m - earned between £75,000 and £95,000 including performance-related bonuses in 1993-94. There were, however, few managers at this earnings level - only six chief executives received more than £80,000.

While such salaries are good by public-sector standards, the NHS Trust Federation, which represents trust managements and undertook the survey, says that "in business the top manager of a similar-sized operation would expect total earnings to be more than £123,000". According to the survey chief executives of typical hospitals - with budgets of £50m and several thousand staff - earned an average of £58,000. The federation says this compares with remuneration packages of £107,000 for chief executives of similar-sized private sector companies.

The figures are likely to rise this financial year as more trust chief executives become eligible for performance-related pay. It was worth an average 7 per cent to the 70 per cent of chief executives who benefited last year.

Almost 80 per cent of trust chief executives are shown to be on fixed-term contracts. Although the provision of cars for NHS managers has caused political controversy, the survey shows that 85 per cent of chief executives either provide their own or make personal contributions to running their office cars.

Parsons to cut 600 jobs after contracts delay

By Chris Tighe

Parsons Power Generation Systems, part of the Rolls-Royce Industrial Power Group, yesterday announced the loss of 400 jobs because of a shortage of work. Most of the losses will be at its base in Heaton, Tyne & Wear.

In addition Parsons is shedding 200 temporary jobs at Heaton, where manufacturing work on existing export contracts will finish next summer.

Last November the company won three power-station projects in India totalling £560m. Parsons was to be the turnkey contractor - with overall responsibility for all three projects - and was also to manufacture five turbine generators for the projects.

But the contracts, placed by independent Indian power producers, depended on the negotiation of financial packages which have taken much longer than expected to complete.

The delay on the contracts, which Parsons still hopes to carry out, has combined with tough competition for orders.

Mr Trevor Murch, Parsons managing director, said the company faced a change in the nature of its customers from "state-owned, monolithic utility generators" towards independent power producers.

"For projects run by an entrepreneur there's a complete funding package we need to put together," he said. "These things take a little while."

Parsons, which has made steam turbine generators at Heaton since 1880, has recently



Parsons union convenor Barney McGill yesterday: job losses are "devastating" but he hopes negotiations and new orders will cut the number of posts to be shed

developed a new role as a turnkey contractor, responsible for projects incorporating equipment from other Rolls-Royce companies and its alliance partner, US-based Westinghouse. Mr Murch said the role was in addition to Parsons' manufacturing activities.

Parsons stressed it was mak-

ing "strenuous efforts" to boost its orders, and was continuing investment in product development and new equipment and systems.

The across-the-board job cuts, affecting 350 at Heaton and 40 service jobs elsewhere, will cut Parsons' payroll to 2,100 in Newcastle and to 2,500

in total. Mr Barney McGill, spokesman for the unions, described the job losses as devastating but hoped negotiation, and possibly orders, during the 90-day consultation period would reduce the numbers.

Parsons is Tyneside's largest manufacturing employer following the rundown of ship-

builder Swan Hunter. Mr Nick Brown, Labour MP for Newcastle East, yesterday wrote to Mr Michael Heseltine, trade and industry secretary, saying this had been a "disastrous week" for the area's industrial base and urging him to offer constructive support for Parsons' export drive.

Redundancies at Parsons could be averted, he said yesterday. "We need a prompt response from government offering help with key overseas orders. Michael Heseltine should intervene now - as his French, German, American and Japanese counterparts would."

At least 15 groups likely to bid for coalmines

By Michael Smith

Intense competition is developing in the battle to gain control of British Coal's mining assets on privatisation, according to industry insiders.

With just four days to go before the government deadline for accepting bids closes, it seems certain that each of the five "core" regions on offer will attract at least three tenders, and in some cases considerably more.

Scotland and South Wales,

both rich in high-quality open-cast reserves, are likely to attract the largest number of bids - up to nine in each case. The other regions are based around Yorkshire, Nottinghamshire and north-east England.

Of the 25 companies or consortia that received government approval to bid earlier this summer, at least 15 are likely to bid for one region or more.

The likely level of bidding presents a sharp contrast to gloomy predictions made

within the industry last year and the year before when mining was in sharp decline.

While pit closures have caused ministers acute political difficulties, they have enabled the government to reduce the industry to a size that matches more closely the demand for coal and is therefore more marketable.

One disappointment for the government is that RTZ, the only international coal company qualified to bid, seems unlikely to submit tenders, even though it has been

looking actively at what is on offer.

Electricity generators National Power and PowerGen are also likely to stay out of the fray.

However several large construction companies are thought to be bidders. Taylor Woodrow is understood to be considering tenders in partnership with Kier Mining, while Wimpey is linked to Powell Duffryn, the engineer, for a bid in South Wales. Miller Group has teamed up with Ryan Group, the mining company, for an

assault on Scotland. Amec, another construction company, is thought unlikely to submit comprehensive tenders for the two regions for which it has qualified to bid.

Apart from Ryan, which is also aiming at the north-east region with Alcan Aluminium of Canada, mining companies making bids include RJB Mining, which is expected to tender for all five regions, and Coal Investments.

CI is in a consortium with the Union of Democratic Mineworkers, which wants the cen-

tral north and central south regions. NSM, another coal company, is considering whether to take up its option to bid for all five regions.

Other bidders include three management buy-out teams. Bids are also being invited for seven stand-alone pits that have been mothballed by British Coal following closure. One definite bidder is an employee buy-out team at Tower Colliery in Mid Glamorgan, where former participants are prepared to invest £8,000 each in the venture.

■ Final day of British Association conference hears warning about cash ■ Minister's performance 'must be monitored'

Scientists demand share of Millennium Fund Drive for more bank regulation 'may reverse'

By Clive Cookson, Science Editor

Science risks being left out of the £1.6bn Millennium Fund, Dr Anne McLaren, outgoing president of the British Association, warned at its science festival in Loughborough yesterday.

Association leaders said scientific projects must be given a share of the fund, which will distribute a quarter of the proceeds of the new National Lottery to projects marking the start of the third millennium.

The only millennium proposal so

far with any scientific content is the redevelopment of the area of South Kensington in London inspired by Prince Albert in the 1850s which includes the Natural History Museum.

Dr McLaren's successor, Sir Martin Rees, said one of his priorities during the coming year would be to help organise "high-profile scientific proposals" to put to the Millennium Commission, which will decide how the fund is to be distributed.

"The important thing is to ensure that on the menu of millennium proposals there is at least one that is likely to be widely supported by the

scientific community," he said. Sir Martin, who will also become Astronomer Royal in January, said it was too early to specify scientific millennium projects. But he indicated that his preference was for something that would involve people all round Britain in science, rather than creating a grandiose UK equivalent of La Villette, the "science city" in Paris.

One possibility would be a nationwide network of science centres, linked by telecommunications and computer technology. At each centre, visitors could interact with their counterparts elsewhere in the country

- videoconferencing, sharing experiences in virtual reality and taking part in collaborative games and experiments.

Sir Martin said another priority during the coming year would be to monitor the performance of the new science minister, Mr David Hunt.

"By the time of my meeting in a year's time in Newcastle, he will be beyond his honeymoon period and we will want to see whether he can deliver on the promises he made in Loughborough this week," he said. Mr Hunt told the association on Thursday of his commitment to

fight for science in the government. "Scientists are being very patient," Dr McLaren said. "Last year's science white paper was well received and it is excellent that we have a cabinet minister responsible for science. But by next summer, unless there are signs of a bit more money forthcoming for the science budget, scientists are going to become very concerned."

Dr McLaren, a distinguished geneticist, added that one sign of trouble was that the Medical Research Council was being forced to reject some excellent grant proposals.

Drive for more bank regulation 'may reverse'

By Clive Cookson

The trend towards ever more detailed regulation of banks may soon reverse, a senior Bank of England official told the British Association economics section in Loughborough yesterday.

Mr Lionel Price, head of the Bank's Centre for Central Banking Studies, said the views of Mr Don Brash, governor of the Reserve Bank of New Zealand, might be "a harbinger of a wider shift in opinion". He "has come to the view that banking supervisors should be less ambitious," Mr Price said.

The supervisory burden faced by central banks is made much worse by the rapid growth of derivatives, he added. "The pricing of these products, and the measurement of the risks they carry, has provided much rewarding employment for mathematicians," Mr Price said.

Professor David Llewellyn of Loughborough University said the ingredients were in place for a "regulatory nightmare". He proposed moving from regulating specific risks to supervising each bank's risk management system.

Mr Price also asked whether central banks are necessarily

the right bodies to supervise the banking sector. "The distinctions between banks and other financial institutions are breaking down," he said. "As their fields of activity overlap, the case for placing them under a single regulator becomes stronger."

Traditional banking is a declining industry, Prof Llewellyn said. As entry barriers come down thanks to new technology and changes in regulation, banks will lose business to other financial institutions and to non-financial corporations in retailing and manufacturing.

"Direct banking", using new computing and communications technology, will reduce the importance of conventional branches, Prof Llewellyn said. "Institutions with a substantial branch network may find that what used to be a major competitive advantage... becomes one of their most expensive problems."

Banks will continue to respond to the encroachment by moving into other financial services. "However, it is unlikely that the market will continue to support anywhere near the current number of banks in the global financial system," Prof Llewellyn concluded.

Artificial hand will be able to raise a delicate glass

By Andrew Derrington

A prosthetic hand that will be sensitive enough to pick up a glass of wine without breaking it will be developed within two years, Mr Peter Nurse of the University of Plymouth said at the meeting yesterday.

Mr Nurse has already developed a prosthetic gripping device strong enough to pick up an iron bar, and sensitive enough to pick up a paper tube without deforming it.

The device, which is being used by a student in Plymouth who has had his hand amputated, only has two "fingers". The full prototype will look like a human hand.

Hand-like prostheses are

Pupils should have to pass a test of "minimum competence in maths and English" before moving on to secondary school, a leading education professor told the meeting.

"If a pupil does not reach that level, then there is a case for extra tuition in the evenings, holidays or, in a few cases, repeating a year," said Prof Alan Smithers of Manchester University's Centre for Education Research.

that level, then there is a case for extra tuition in the evenings, holidays or, in a few cases, repeating a year," said Prof Alan Smithers of Manchester University's Centre for Education Research.

already in use, said Mr Nurse, but the grip is not easy to control. In order to grip something hard enough to pick it up, they grip until they crush.

The new device is able to combine strength and sensitivity because it has a novel sensor that detects both touch and slipping.

The closing of the hand stops when it makes contact with an object, but if the object starts

to slip, the grip is tightened. The prosthetic hand will grip objects just tightly enough to pick them up.

The wearer commands the prosthesis to close or to open by twitching two muscles in his upper arm. Sensors placed over the muscles detect the motion of the skin as the muscle twitches. The batteries in the present model last about six hours.

A new generation of judges is placing too much faith in unsupported eyewitness testimony, the British Association meeting heard yesterday.

The judges have lost sight of the fact that "fleeting glimpses lead to fragmentary and easily influenced memories" said Professor Graham Davies, a forensic psychologist from Leicester University, after reviewing miscarriages of justice.

Identity parades can mislead, he said. The fact that an eyewitness is able to pick the suspect "in eight others" are present may be irrelevant if none of the other people in the parade looks like the defen-

dant. The effective size of the parade - the number of people in it with the same physical description as the subject - is much more important than its actual size.

Often the effective size can be reduced to one, which means that the identity parade is meaningless. In one case examined by Prof Davies the description of the suspect was sufficient for most people to select his photograph from those of the others in the parade.

Witnesses tend to make their identifications using only two or three key features, often the eyes and the hair, said Prof Davies. They tend to ignore differences in other features such

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Adams to ask US for visit visa

By Jimmy Burns in Belfast and James Blitz in London

Mr Gerry Adams, the Sinn Féin president, yesterday moved to raise his political profile in the Northern Ireland peace process by announcing he was applying for a visa to visit the US.

He said he had received "thousands of invitations" from the US to explain the recent ceasefire declaration by Sinn Féin and the IRA, and he planned to visit as soon as possible.

Mr Adams is barred from visiting the US, and his application aims to test how receptive the Washington and London governments are to the recent IRA ceasefire. He is also anxious to boost Irish-American support for the republican cause and to rally his supporters closer to home.

The US State Department yesterday said it had not yet received a visa application, which would require a waiver from the Justice Department. It would not predict whether Mr Adams would be granted a waiver, but pointed out that the US admitted Mr Joseph Cahill, a provisional IRA leader with a criminal conviction, under the same procedure at the end of last month.

Mr Adams last applied for - and obtained - a US visa in February in spite of a strong public protest from the British government that the IRA had not renounced violence.

On that occasion the White

House overruled the advice of State Department officials and agreed to a 72-hour visit by Mr Adams, having become convinced that it would contribute to the peace process.

White House officials who feel vindicated by that decision are likely to recommend granting a visa again, although the State Department remains sensitive to the complex issues at stake.

The Irish Times has said that Mr Adams is to be invited to the US by the Senate foreign relations committee, but political aides to Senator Chris Dodd, who as chairman of the western hemisphere and Peace Corps affairs subcommittee would make such an offer, said they were unaware of any invitation to Mr Adams.

Officials at the US embassy in London said they had not yet received any application for a visa. Downing Street officials said reports in Irish newspapers that his application was already being processed by US immigration staff were "highly speculative".

The British government may formally urge Mr Bill Clinton, the US president, not to grant the visa until the IRA gives a firmer indication that it has permanently abandoned its military campaign. But officials are aware that the survival of the IRA ceasefire depends in large measure on Mr Adams being able to show his supporters that the "unarmed struggle" is producing political results.

Unionist believes ceasefire is real

By James Blitz

Mr John Taylor, a leading Ulster Unionist MP, yesterday added to the pressure on Mr John Major's government to recognise the IRA's ceasefire, by openly admitting that the organisation's campaign of violence could truly be over.

As the British and US governments continue to refrain from full acceptance of the ceasefire, Mr Taylor, the MP for Strangford, Co Down, came as close as any unionist to admitting that the IRA had fully renounced violence. "My gut reaction is that the ceasefire is for real," he told his constituency association.

Mr Taylor, who was seriously wounded by an IRA gunman in 1972, added: "I consider

it to be my responsibility to encourage the peace process forward so that there will eventually be lasting peace for all the Roman Catholics and Protestants of Ulster."

He was clearly at odds with another unionist MP, Mr David Trimble, who claimed that the UUP's view was that the IRA had no intention of abandoning their campaign unless there were substantial concessions from the government.

Writing in the Belfast Telegraph, Mr Trimble, the MP for Upper Bann, said that the ceasefire was a "gamble" by the IRA. "They reckon that if they fail to gain concessions, the blame for resumed violence can be placed on the British government or the loyalists," he said.

Walker weeps in Old Bailey witness box

By John Mason, Law Courts Correspondent

Mr George Walker, the former chairman of the Brent Walker property and leisure group who is charged with fraud, yesterday broke down in tears in the witness box at the Old Bailey as he told how he tried to save his company from liquidation.

Mr Walker was explaining how in late 1990 he put "every penny" of his family's money into the company to enable a crucial bond issue to go ahead.

He and Mr Wilfred Aquilina, a former Brent Walker finance director, are both accused of fraudulently inflating the company's profits. Both deny charges of

theft, false accounting and conspiring to falsify accounts.

Mr Walker said the issue was necessary after the takeover of the William Hill betting shop chain left Brent Walker short of funds.

However, problems on the Japanese stock market had meant that institutions there withdrew backing of £150m. His bankers then insisted he personally had to raise £100m if they were to continue supporting the company, he said.

The Walker family personally put in £200m. After receiving an assurance from the Serious Fraud Office that it had dropped its investigation into Brent Walker, he attracted a further £85m from associates.

"I got to £85m and the banks said they would cough up the rest. Every penny we had went into keeping that company alive - work money, bonding money, dividend money, everything," Mr Walker told the court. He paused before continuing: "And now I stand here accused of..." Mr Walker then told the judge: "I have got to have a break, if you don't mind," and left the witness box in tears.

When he returned Mr Walker told how the banks, led by Standard Chartered, finally forced him out of the company. At a board meeting in April 1991 with the banks attending, he was told their support depended on his being removed as chief executive.

"That caused a lot of anger, and a lot of harsh words were said," Mr Walker told the court. The Brent Walker company solicitor warned the banks their tactics were putting other directors under duress and could be challenged in the courts, he continued. However, the banks would not relent.

Mr Walker continued: "I was fired. I was told by the banks to be escorted to my desk, only take my diaries and remove myself from the building and that I was not allowed back in the building again."

The judge ordered the proceedings to stop late in the morning, saying Mr Walker was "very tired" and needed to recuperate. The trial continues.

Building output at two-year high

Construction output in the second quarter of this year was the highest for more than two years, figures published yesterday by the Department of the Environment show, Andrew Taylor writes.

Contractors, which this week reported sharp falls in construction profits for the first six months of the year, said overcapacity in the industry had meant profit margins remained very depressed in spite of an increase in orders. The total value of output in constant 1990 prices rose 4 per cent in the three months to the end of June compared with the same period last year. It rose 1 per cent against the first quarter of this year.

Private-sector housing was 14 per cent higher than the same period last year and 3 per cent higher on the previous quarter. Private industrial output was 11 per cent and 8 per cent higher respectively while private commercial output rose 6 per cent and 1 per cent.

Infrastructure work was down 13 per cent on the same period last year but rose 4 per cent over the first quarter.

Too many chasing too little; Costain results, Page 8

LibDems warn on privacy law

Government proposals for new legal safeguards against the invasion of privacy would deter legitimate inquiries by newspapers, a Liberal Democrats committee has warned.

A consultative paper published for the party's conference which opens on September 15 highlights the danger that a privacy law would inhibit freedom of expression.

The press and broadcasting working group, headed by Mr Richard Rampton, a libel lawyer, says invasions of personal privacy should continue to be dealt with case-by-case by the courts.

Move to close pyramid scheme

The Department of Trade and Industry has petitioned the High Court to wind up Global Pioneers, a pyramid scheme which traded from Morecambe in Lancashire.

It said Global Pioneers "held out the prospect of substantial earnings to members by the redistribution of subscriptions of members joining later." It believes the scheme had attracted about 3,000 members.

Bifu strike vote

About 4,300 members of Bifu, the banking and finance union, working at Guardian, the UK's largest insurance company, are being balloted on strike action against the company's refusal to offer an across-the-board salary increase.

CORRECTION

Avonmore Foods

In yesterday's FT it was reported that Avonmore Foods had issued a profits warning. While the company reported a reduction of 9 per cent in pre-tax profits for the first half of the year, it did not issue a warning about future profits.



Brown warns of Budget 'raid' on welfare state

By James Blitz

Mr Gordon Brown, the shadow chancellor, yesterday called on the government to announce the results of its year-long review into social security spending after a leaked Whitehall document showed that officials have been considering how to implement a wide range of cuts.

Mr Brown warned yesterday that the November Budget could be "a raid on the welfare state".

Earlier this week Mr Jonathan Aitken, the new chief secretary to the Treasury, strongly hinted that housing benefit payments could be reduced in the Budget to rein back the Social Security Department's £85bn spending programme.

However, a leaked DSS document yesterday confirmed that officials have also been pressing ahead with plans to abolish the statutory sick pay subsidy to employers and the industrial injuries compensation scheme for employees, both of which cost the government about £1.4bn.

According to the documents, Mr Peter Lilley, the social security secretary, asked officials late last year to "make recommendations on a strategy to achieve abolition" of the statutory sick pay scheme.

Last year the government ended the policy of providing a sick pay subsidy to "large employers" who pay National Insurance contributions of more than £20,000 a year.

But, according to the document, DSS officials have been asked to take this a stage further, abolishing the subsidy for the 750,000 "small employers" who were unaffected by last year's legislation. Such a move could save the government as much as £700m a year.

In addition, another group of officials has been asked to examine "the scope for transferring the no-fault industrial injuries scheme to employers" and to outline the timetable for such legislation.

Under these proposals employers could be forced to bear the full costs of compensating employees who are involved in an accident where the company is not at fault.

Tunnel link bidders are warned on rules

By Charles Batchelor, Transport Correspondent

Any changes in membership of the consortia bidding to build the £2.7bn Channel tunnel rail link must be approved by the government, the Department of Transport said yesterday.

It was commenting on an announcement from the GMB general union that the consortium headed by Hochtief, a German construction company, had invited UK unions to join the bidding team.

No application for the unions to be allowed to join the Hochtief group had been received by yesterday afternoon, the transport department said.

Some of the companies involved in the bidding have expressed irritation at the government's intervention in the make-up of the bidding groups.

London Electricity said in June that it had withdrawn from one of the four bidding consortia because of a conflict of interest resulting from the fact that Sir Bob Reid, its chairman, was also chairman of British Rail.

Meanwhile, Sotferall, a French railway consultancy, is an adviser to but not formally a member of London & Continental Railways, another consortium.

The government is also understood to be unhappy at the prospect of a French company being directly involved in building the UK segment of the link. At one stage there were fears that the French state railway operator, SNCF, might bid to build and operate the rail link, sources close to the project said.

Eurorail, a consortium comprising BICC, Trafalgar House and GEC, yesterday received the documents containing details of the tender competition 10 days after the other three consortia.

The delay resulted from one member of the consortium, believed to be GEC, refusing to sign the confidentiality agreement because it was too onerous.

The four have until March 14 to submit their bids. The government has said it expects to award the contract by the end of next year.

Calor Gas workers back strike action

By Richard Donkin, Labour Staff

Workers at Calor Gas, the gas products company, have voted to take strike action against the imposition of personal contracts for manual grades and pay cuts for some drivers.

The small majority - 53 per cent in favour from a 78 per cent turnout - has led the company to complain that fewer than a third of those covered by the agreement with the TGWU general union were in favour of striking.

The ballot combined two separate issues. One involved personal contracts, affecting 363 workers, and another involved wage cuts for 50 drivers at Calor Transport, the contract transport division.

Calor has accused the union of blurring the issue. Most employees, it said, did not want to be involved in an industrial dispute and about half of those offered new contracts had already signed.

Mr John Harris, Calor's director of operations and human resources, said: "It is very unfortunate that our employees have become caught up in a confrontation which the TGWU has chosen to have with the company."

The management is to meet union officials to discuss the transport division workers on Monday.

Mr Danny Bryan, national secretary of the union's commercial transport group, said one of the initial concerns was the company's September 19 deadline for employees to sign the new contracts, after which they would receive notice of termination.

Derailment 'unrelated to stoppage'

By Charles Batchelor, Transport Correspondent

The two incidents, one of them a derailment, which occurred during Thursday's one-day stoppage by signalling staff, cannot be blamed on the strike, Railtrack said yesterday.

The RMT transport union and the Aslef train drivers' union have accused Railtrack, which runs the network, of

taking chances with passengers' safety by employing inadequately trained staff in signalboxes.

An incident at Sawley in Derbyshire when two cars passed over a level crossing moments before an oncoming passenger train was the result of actions by a contractor working on the line, Railtrack said.

BRIS, a British Rail maintenance subsidiary, had begun

its own disciplinary proceedings, Railtrack Midlands said.

"There was no involvement by any signalling staff," an official said. "Contractors were working on the crossing and they did not follow the correct procedure."

An initial investigation of an incident at Bickley in Kent, where several carriages of a commuter train were derailed, also showed that the signal workers' strike was

not to blame, Railtrack South said.

A full inquiry is to be held next week but initial indications were that the signalling equipment was being operated normally.

The full inquiry will focus on the technical operation of the points, signals, the train's brakes and the actions of the driver, Railtrack added. It expected repairs to the line to be completed by Monday.

Teaching union calls for above-inflation pay rises

Teachers are on a collision course with the government over a pay submission that would mean rises of more than 20 per cent for some over two years.

The National Union of Teachers challenged the government's public-sector pay freeze yesterday by calling for a salary increase next year above the rate of inflation, possibly up to 4 per cent.

The biggest teaching union's submission to the School Teachers' Review Body, the quango which advises the government on getting teachers' pay, is calling for a 10-point salary scale by 1996. This would range from £14,750 for a graduate-entry teacher - up 13.5 per cent from the present equivalent starting salary of £12,995.

Pay for a classroom teacher with 10 years' experience should rise to £27,000 - up 23.3 per cent from the present maximum of £22,065 without payment for extra responsibilities.

The NUT is arguing for a "significant increase" next year, beating the rate of inflation and combining a lump

sum and percentage to boost starting pay. Mr Doug McAvooy, NUT general secretary, said the government had breached its own ban on "catch-up" pay rises when MPs awarded themselves a 4.7 per cent increase.

Mr McAvooy warned that his members could take their own steps to cut mounting workload. "There comes a point where you say it just can't go on," he said. "If no one is going to listen to us, we will have to look very carefully and decide which aspects of our work we could discontinue."

With early retirement, teacher absences and stress-related illness at record levels, conditions of service were as important as pay this year, he added.

Teachers worked an average 49-hour week with one in 10 putting in more than 60 hours.

The NUT wants the review body, which reports to the government in January, to recommend smaller classes and more supply teachers.

The union rejected the government's call for performance-related pay as "completely

inappropriate" for teaching. It wants a two-year deal producing salaries comparable with other non-manual workers and compensating for years in which it says teachers' pay has slipped behind other professions.

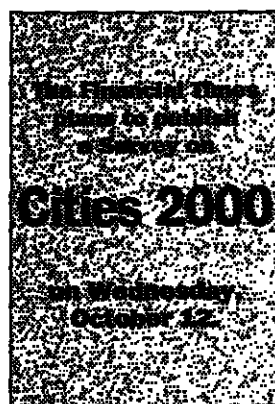
This year the government imposed the School Teachers' Review Body's recommended 2.9 per cent pay rise.

Mr McAvooy said improvements in pay and working conditions were essential to avoid a crisis as the recession eased and numbers of pupils grew.

On present projections of pupil numbers, it would take 19,000 more teachers just to keep class sizes the same over the next four years.

The submission to the review body from the National Association of Schoolmasters' Union of Women Teachers called for a 35-hour-week and a pay increase in line with other non-manual staff.

The Secondary Heads Association urged the pay increase for all teachers in recognition of their improved productivity, measured by published examination results.



Other across Britain are striving to put in place new economic, employment and social structures which will create the jobs and the balanced communities necessary for prosperity for all in the next century. The survey will examine these efforts, and the role central and local government, local industry, economic development bodies and community-based groups are playing. At the same time it will look at the experience of other countries facing similar problems and examine what lessons they may have to offer.

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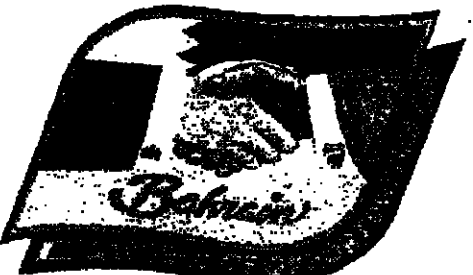
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Rising in the east

There is something different about Japan this week. No, the current round of trade talks in Los Angeles has not miraculously resolved the country's conflicts with the US. But a process that will eventually do more to bring the two countries closer has begun: the Japanese economy is growing and its structure is slowly changing.

There have been enough phantom upturns over the past 18 months that the news is spoken softly. But yesterday even the Japanese Economic Planning Agency included the word "recovery" in its monthly economic update. Growth is still fragile enough for caution to be well-placed: real GDP may only achieve around 1% per cent growth this year, if that. But Japan's industrialised trading partners should be more encouraged by the emerging pattern of growth than its magnitude.

Politically, things in Japan are as murky as ever, as the debate over the continuation - and funding - of last year's tax cuts carries on unresolved. But thanks to the past year's fiscal injections, economic prospects in consumption and residential investment are looking less sombre than for a long time.

This does not mean that this year's further surge in the value of the yen will have no effect. So far, the dollar-denominated current account surplus has yet to show the effect of the re-adjustment currently taking place. But Japanese net exports will almost certainly fall in the coming year: what is different about this recovery is the way that re-adjustment will occur.

Greater improvement

In contrast to past occasions, the country's exporters are finding themselves less able to compensate for losses abroad by raising prices at home. The competitiveness of Japanese export goods, in dollar terms, has fallen by 25 per cent since 1985. But a still greater improvement in the competitiveness of foreign goods has hit domestic sales of domestically-produced goods. The tentative rise in domestic consumption is increasingly going towards purchases of foreign goods. Imports of video recorders trebled in July alone.

Thus the strong yen, coupled with the slow process of market deregulation, is adding momen-

tum to the industrial restructuring taking place in Japan. Given the over-capacity left over from the 1980s boom, another ingredient of the typical Japanese recovery - surging capital investment - is also missing.

The spur behind recent investment has been almost entirely residential: usually the country's weakest investment sector. Heavily subsidised loans are helping young people buy cheap condominiums for the first time. New housing starts rose at an annual rate over 6 per cent in July, the fourth monthly rise running.

Saving rate

What does this very different picture of Japan in recovery mean for Japan's trading partners? The steady rise in consumer imports will lessen, but not eliminate Japan's current account surplus. As the Japanese (and others) never tire of pointing out, the country's high rate of net saving will continue to deliver a net injection of capital to the rest of the world for some time yet. Though the population is ageing fast, even very old Japanese display much higher rates of saving than pensioners elsewhere.

But the destination of this capital contribution may well change, in light of recent developments. Wider deregulation of the economy now has the backing of many important business constituencies, as well as that of the ruling coalition. Though it may be held back by political shifts, it is unlikely to be halted altogether. This means that Japanese consumers could begin to enjoy a lower cost of living relative to Americans and Europeans, whose goods they will buy in greater numbers.

That might give Mickey Kantor, the US Trade Representative, and his successors less to talk about in years to come. Having lost approximately \$200bn on their US investments since 1986, Japanese investors are likely to be more cautious of sending their surplus cash to the US. Non-portfolio flows may concentrate increasingly on Asian emerging markets. Japan's neighbours could therefore receive the benefit of still more of the know-how and technological creativity which helped Japan grow so rapidly after the war.

Much could go wrong with this scenario, but there is encouragement to be found in this week's news from Japan. On Thursday, Mr Kantor predicted that there would be "no breakthroughs" in the state of US-Japanese trade relations in the near term. He may, however, be looking in the wrong place.

The greatest strength of Germany's Chancellor Helmut Kohl, according to one of his closest friends and admirers, is that he is always "hugely underestimated" by his opponents.

Now he appears to have got away with it again.

As Germany's 1994 election marathon enters the final straight - with 12 out of 19 elections over, including the choice of a new federal president, and just seven to go - the big man is back in front, leaving his opponents apparently floundering in his wake.

Less than seven months ago, before a party conference of his Christian Democratic Union (CDU) in Hamburg, Mr Kohl looked practically down and out.

His party was trailing the opposition Social Democratic Party (SPD) by 40.9 per cent to 36.1 per cent, and the chancellor himself looked even worse: his popularity rating stood at 26 per cent, compared with 35 per cent for Mr Rudolf Scharping, the youthful new leader of the SPD.

This week, on the eve of two important state elections in east Germany, and just five weeks from the general election on October 16, the irrepressible Mr Kohl is sitting almost pretty: the most recent personal ratings give him 40 per cent, to only 30 per cent for Mr Scharping. As for the CDU and its Bavarian sister party, the CSU, they are on a combined 40.3 per cent, compared with 34.2 per cent for the SPD.

In spite of everything the opposition can throw at him, the chancellor appears unmoved and unflappable. And in spite of all the urgent promises the SPD can make, it does not seem to be able to break through the barrier of electoral suspicion.

Mr Kohl's personal performance has been remarkable. He has scarcely put a foot wrong. For a start, he has calmly sat back and waited for the economy to turn the corner out of last year's sharp recession. All the latest indices suggest the economy has come right even faster than the government's optimistic advisers expected. Unemployment appears almost to have peaked at just less than 4m, although it was expected to keep rising for the rest of the year, and gross domestic product could end the year with a growth rate of at least 2.5 per cent compared with a rosy government forecast of 1.5 per cent last December.

Second, he has exploited every possible opportunity to hammer home his obvious electoral advantage as an international statesman over the relatively untravelling Mr Scharping. The great outcry raised by government politicians all summer over the illegal export of plutonium from the former Soviet Union owed a great deal to the desire to remind the German electorate just how unstable their eastern neighbours remain. The subliminal message was clear: in an uncertain and dangerous world, vote for the devil you know.

The sudden emergence of European integration as an issue in the campaign is unlikely to do the chancellor any harm, either. Mr Kohl enjoys a substantial reputation as a "good European", but the one issue which could cost him votes is the prospect of eventually abandoning the D-Mark in favour of a single European currency.

By allowing his party to publish a tough position paper, suggesting that future economic and monetary union would be based on a hard core of only five member states of the European Union - Germany

Firmly footed for the final hurdle

Quentin Peel and Judy Dempsey on Helmut Kohl's revived fortunes in the German election campaign



and France as well as the Benelux countries - Mr Kohl may well help to reassure some of the doubters.

Mr Scharping, a worthy but uninspiring candidate, has failed to set the electorate alight, not to mention his own party. Only last weekend, he was still appealing for his loyal followers "not to be down-hearted". It certainly seemed a bit late in the day.

Having launched his campaign as the undisputed leader of the party, he has been forced to co-opt his two greatest rivals, Mr Oskar Lafontaine, the Saarland premier, and Mr Gerhard Schröder, the Lower Saxony premier, as part of an uneasy "triumvirate". Mr Scharping's own performance was clearly seen as lacklustre by his supporters.

Perhaps the fatal moment for Mr Scharping was in May, when he launched, with great fanfare, the party's new tax plans, drafted largely by Mr Lafontaine. In them, he proposed to cut taxes for the lowest paid - in particular the surcharge to pay for unification - at the expense of higher income earners. The trouble was, that the threshold for the better income earners of DM60,000 a year meant that a very large number of middle-income earners - classic swing voters - would be caught. It was a gesture of electoral suicide.

And yet all is not over, bar the shouting. Mr Kohl is by no means

home and dry. The result is still too close to call. For the complex arithmetic of Germany's coalition-building means that Mr Kohl cannot be so sure of gaining the overall majority he needs for his own party and his allies, the CSU and the liberal Free Democratic Party (FDP).

For a start, the FDP is floundering in a state of pre-electoral paralysis, after a string of resounding setbacks in earlier polls. It is an open question if the FDP can win enough votes to give Mr Kohl an outright majority. In the latest poll published by the *Allensbach* opinion research institute in the *Frankfurter Allgemeine Zeitung* this week, the FDP stood on 8.2 per cent, to give the coalition a combined 48.5 per cent - still short of the magic 50 per cent.

The challenge for Mr Kohl is to drag the FDP up with his own revived momentum. Indeed, Mr Klaus Kinkel, the FDP party leader, seems to be begging for votes on just that basis: his message at his election launch rally in Nuremberg was "vote for us, to re-elect the coalition".

But it is not his allies who may end up giving Mr Kohl the greatest headache. Ironically, the party which could end up holding the real key to the result is the Party of Democratic Socialism (PDS) - the

reformed old East Germany Socialist Unity party (SED), the Communist party.

Tomorrow's elections in the eastern states of Brandenburg and Saxony will give the clearest indication so far about just how the long-suffering east German electorate will vote in five weeks. Battered by soaring unemployment, by the collapse of their traditional industrial economy, and the disappearance of all the old certainties in their grim communist lives, the east Germans are confused, divided and yet resigned. Those who have jobs are satisfied. Those without are bitter. The opinion polls seem often to be wide of the mark. Many may not vote at all. Others will vote with varying degrees of enthusiasm for western parties. And others are clearly turning back to the PDS in protest at the confusion in their lives.

So far, the three-party-dominated west German system of Christian Democrats, Social Democrats, and Free Democrats has not taken root in the east. Instead, to the horror and amazement of most westerners, the former communists are picking up a very healthy proportion of the votes - up to 30 per cent.

The PDS, which inherited the SED's organisational structure, including a well-disciplined grassroots movement, has 130,000 members, of which 90 per cent were SED

members. This is still less than a tenth of the former Communist party, but the PDS still boasts the biggest paid-up political membership in east Germany.

With between 15 per cent and 20 per cent support, the PDS is the third largest in east Germany after the SPD and CDU. On an all-German basis, however, it still would not gain the 5 per cent minimum needed to gain seats in the Bundestag, the directly-elected lower house of parliament. What the party is far more likely to win is three directly-elected members of the Bundestag, if they can gain an outright majority in the first round of voting; and if the party can do that, it automatically qualifies for representation according to whatever proportion of the national vote it won, even if less than 5 per cent.

That is the horror scenario facing both Mr Kohl and Mr Scharping. For if the PDS does not get into the Bundestag in October, it will be possible to form a coalition government of right or left with less than 50 per cent of the vote. If the PDS does win through, it could prevent either side forming a coalition with its natural partners. The end result could be one nobody wants: a so-called Grand Coalition of CDU and SPD, leaving the job of opposition to the minorities and the extremists, including the PDS, the Greens, and the FDP.

The result is that, in spite of its virtual non-existence in the west, and its uneven showing in the five eastern states, the PDS has been singled out as the bogeyman in the election campaign, by all the main western parties.

One of the reasons for this characterisation is that over the past year, the PDS has managed to erode the support held by the SPD in east Germany. It has also managed to capitalise on its image as the one genuinely "home-grown" party in the east, in contrast to the imported SPD, FDP and CDU.

Given the social conditions in the east, with unemployment in some areas exceeding 50 per cent, the SPD might have been expected to flourish. Mr Scharping has fought a campaign dedicated to social justice, and his controversial tax reforms to aid the low-paid at the expense of the better-off, should also appeal to voters. But the tax proposal has not really helped, at least so far, in either east or west. Mr Kohl's CDU has launched a massive publicity onslaught against the PDS, and sought to tarnish the SPD with the same brush. The CDU suggests that the Social Democrats can only hope to gain power in Bonn with PDS support. According to the latest polls, the SPD plus the Greens, their closest allies, would have 44.4 per cent of the vote. With 4.4 per cent from the PDS, they could be just in front of the ruling coalition.

Mr Scharping has flatly rejected any such solution, but the voters do not really believe him. Some 54 per cent are convinced that if it was a question of gaining power, the SPD would accept over or tacit PDS support. So the onslaught on the former communists is stepped up.

And yet the ultimate irony is this: the more the western parties attack the PDS, the more eastern voters appear inclined to back it after all. It is as if east German voters feel an instinctive solidarity for "one of theirs". Mr Kohl is therefore treading a very delicate path.

All the evidence suggests that he must have done enough to be re-elected, albeit by a narrow margin. But his efforts to ensure that outcome could trip him up at the very final hurdle.

MEN IN THE NEWS: The Savoy board

Five men in a bit of theatre

It's show time! exulted one City analyst as the curtain rose on the latest act in the Forte group's battle to take over Savoy hotels. Founded by Richard D'Oyly Carte, manager of Gilbert and Sullivan, the Savoy has never lacked dramatic flair.

In the past week, a Savoy director has admitted he told a journalist the subject of a document on his desk - but added that anyone who suggested he had revealed the details would hear from his solicitors. His chairman said it was a perfectly acceptable explanation but he had had enough of the whole Savoy business anyway.

A managing director has issued a statement from a board which was astonished to hear it had met. The managing director is packing his desk as a result. And the man who could decide how the story ends runs a golf course and was once cornered by police in the south of France suspected of being Lord Lucan.

On Tuesday, four of the principal characters in the saga will meet their fellow Savoy directors to see if they can resolve the issues raised by the week's events and other matters which date back 13 years, since Forte first began its quest for control. Forte now has 88 per cent of the shares but only 42 per cent of the votes.

The four are Sir Anthony Tuke, 74, the Savoy's chairman for 10 years who is desperate to retire; Mr Rocco Forte, chairman of Forte and a Savoy director since the two sides agreed an uneasy truce in 1989; Sir Michael Richardson, who has just announced his retirement as chairman of securities house Smith New Court and who did not leak the document to the Sunday papers; and Mr John Sinclair, Lucan lookalike,

who is chief executive of an East Sussex golf course, and controls shareholding trusts which could give Forte control of the Savoy.

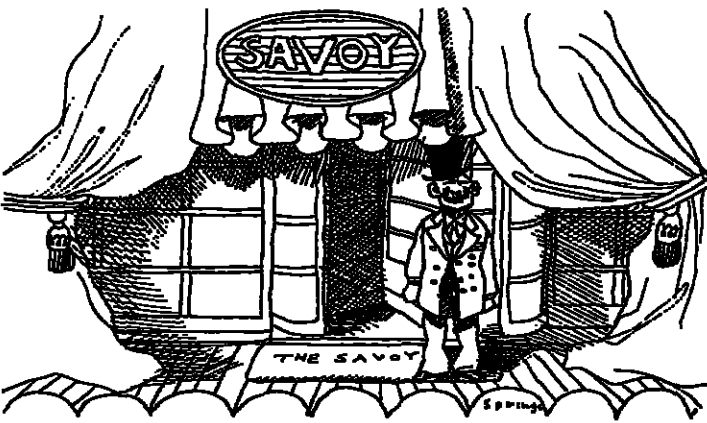
The fifth character - Mr Giles Shepard, Savoy's managing director - will probably not be at the board meeting, and, if he is, it will be for the last time. After 15 years of running the Savoy group - whose hotels include the Savoy, Claridge's and the Connaught - he is leaving, possibly as early as Monday. Some directors are thought to favour as his replacement Mr Ramon Pajares, the Spanish-born general manager of the Four Seasons (formerly the Inn on the Park), one of London's most respected hotels.

The unfavourably courteous Mr Shepard always opposed a Forte takeover, saying the hotels would lose their character.

Mr Shepard, one of whose hobbies is embroidery, has definite ideas on the right and wrong way to do things. He is always impeccably dressed. Mr Forte once said he would not employ Mr Shepard as a doorman. The oft-told story that Mr Shepard then greeted Mr Forte at the Savoy dressed as a doorman is nonsense; Mr Shepard has his own uniform, which includes a waistcoat, tie pin and highly polished shoes.

It is true that Mr Shepard and Mr Forte have no great regard for one another. But Mr Forte has tried to put his acrimony aside. Instead, he has spent the past months persuading fellow directors that the problem with the Savoy hotels is they are not well run, turning in profits of only £725,000 last year on turnover of £83.3m.

Mr Forte's tactics have been effective. Several of Mr Shepard's allies deserted him - or began to listen to what Forte had to say. One who



begin listening was Mr Sinclair. Mr Sinclair, who is 41 today, is steeped in Savoy culture. He was a Savoy management trainee, reception manager at Claridge's and general manager of the Lancaster, the Savoy's Paris hotel. He became a Savoy director last year with Mr Shepard's support.

Mr Sinclair is trustee for some of the interests of the family of Sir Hugh Wontner, Savoy president until his death in 1992. Sir Hugh ferociously opposed Forte, but trustees have to be guided by their beneficiaries' interests (rather than sentiment) on the question of whether the Savoy hotels' performance would improve if they were merged with Forte's luxury establishments.

The discussions continue. If Mr Sinclair allies himself with Forte, it would give the latter control without spending another penny.

Sir Anthony Tuke, a Savoy loyalist throughout the 1980s battle against Forte, is credited by both sides with having taken an even-handed approach since the truce and Mr Forte's accession to the board. He hopes to announce his replacement on Tuesday.

Several close observers believe Sir Michael Richardson would like to be chairman. Sir Michael was also on the Savoy board during the initial battle but he too drifted over to the Forte side.

It was while he was being interviewed earlier this month about his retirement from Smith New Court that a journalist asked him about Mr Shepard's document lying on his desk. Sir Michael says he told the journalist it was about the Savoy but revealed no details - an explanation accepted by Sir Anthony.

Some of the details did appear, however. Mr Shepard issued a statement which said: "The board of the Savoy group is dismayed that one non-executive director, for his own reasons, has decided to discuss confidential papers with the press."

The board, however, had issued no such statement. Mr Shepard had acted on his own, apparently convinced that, as the guardian of the group's spirit and traditions, he could speak on Savoy's behalf. The board, however, had moved on, leaving Mr Shepard behind. Sir Anthony's even-handedness towards Mr Shepard ended. He described his behaviour as "extrajudicial".

This week, the two warring sides hope to put the dissension of 13 years behind them and appoint a new chairman and a managing director who represent them all.

Michael Skapinker

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Lilliput Group plc

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9th September, 1994

Russian defence salesmen may not look smart, but they should not be written off, says Bruce Clark

Reds alert in hostile skies

Appearances can be deceptive – especially in the world of defence. The Russians were not the smartest figures at this week's Farnborough Air Show. They could not afford expensive stands with imaginary high-tech battles on giant video screens and they have something to learn about the production of glossy corporate literature in the peculiar, breathless style cultivated by arms companies.

They are, however, finding customers – and not just among former allies. With their crazy, lived-in faces, Russian pilots are glamorous figures in their own, no-nonsense way, but they lack the permanent sun tans affected by their western counterparts.

They often also have less cash. About half the exhibitors who came from Moscow to Farnborough two years ago could not afford to return. "Our engineers are paid miserably. They only get 250,000 roubles and they could make 2m roubles a month from a back-street trading business," said one salesman.

Though some of the first fruits of east-west co-operation in civilian aviation were on display – including the new Ilyushin-96, a wide-body passenger aircraft with engines from Pratt & Whitney of the US – aficionados of military aircraft had to search a bit harder for the Russian contribution.

The Tsagi Institute, one of the cradles of Soviet research in aviation and space, was well represented – at the exhibition stand of the UK government's Defence Research Agency, its partner in a recent co-operation deal.

However, Professor German Zagladov, Tsagi director, was keener to stress the civilian uses of his institute's work in theoretical aerodynamics: from the measurement of gas flows to the drying of timber. Tsagi has had remarkable success in contracting out the use of its facilities near Moscow to aerospace companies from the US, Britain and Germany without arousing fears that commercial or military secrecy will be compromised.

"We are used to respecting confidentiality of our clients," said the professor, whose well-cut suit and courteous manners marked him out as Farnborough's most polished Russian. "For years, we worked in conditions of absolute secrecy," he added, with the hint of a smile.

Yet the west would be making a bad mistake if it took the Russians' low-key style as a sign they can be written off. The Russians have a quiet certainty about the superiority of their products. Mr Viktor Puzanov, chief engineer at MAPO, manufacturer of the legendary Mig fighter, is convinced that the latest models can hold their own against any challenge from US or European rivals.

Migs are already in service in 40 countries, mostly former Soviet allies. For MAPO, June's \$550m sale of 18 Mig-29 aircraft to Malaysia was a landmark success: achieved in

a region long seen as subject to western commercial and political influence.

Besides the Migs, Russia's greatest hopes lie with work-horse helicopters such as the Mi-17, made by the Kazan helicopter company in Tatarstan and favoured by oilmen and geologists in remote parts of Latin America and Indonesia. "I've been flying these helicopters for 20 years and I have never heard of a mechanical failure," said Mr Yuri Porin, a Mi-17 representative, to a sceptical westerner. "They are as sturdy as tractors."

It is important for the Russian salesmen to break out from traditional markets. The Russian defence industry is undergoing a painful, but possibly invigorating, shake-out.

On one hand, the virtual freeze on weapons procurement imposed by the government two years ago is drawing blood, with lay-offs and factory closures. On the other, Russia has identified defence equipment as one of the few industrial products in which it has an advantage. President Boris Yeltsin threw his weight behind the creation this year of a state agency, Rosvooruzhenie, which will monopolise the export of guns and missiles.

On paper, Russian arms sales have plunged since the Soviet collapse, from an annual level of almost \$10bn a year – comparable with the US – to barely \$2bn. But these figures are misleading. In the Soviet era, arms deliveries to allies were on such soft terms as to be virtually free. Only since 1992 has Russia properly entered the commercial arms race.

One country with which Russia has rapidly revived its defence relationship is India. A group of Indian businessmen, based in Singapore, has joined the makers of Mig in a joint venture known as Mig-Alo, which will try to facilitate the purchase of Russian aircraft by Asian governments.

"The aim is to respond more flexibly to our clients' needs and get away from the inertia of the state sector," said a representative from MAPO. The Malaysia deal illustrates what that flexibility can mean: part of the payment is in palm oil.

The Indian government, meanwhile, is giving Russia the job of upgrading more than 100 of its Mig-21 fighters. It is hoped this will encourage the world's other Mig users to upgrade their aircraft with Russian help, rather than buy western aircraft.

As Tsagi news agency commented caustically last month, Russian Migs have been studied by the Royal Air Force in a manner that "did not exclude the chance of encountering them under combat conditions". This does not, of course, mean the RAF expects to go to war with Russia, but the greater success of Russia's marketing campaign, the more likely it is that the west will find itself in confrontation with a country that is one of Moscow's customers.

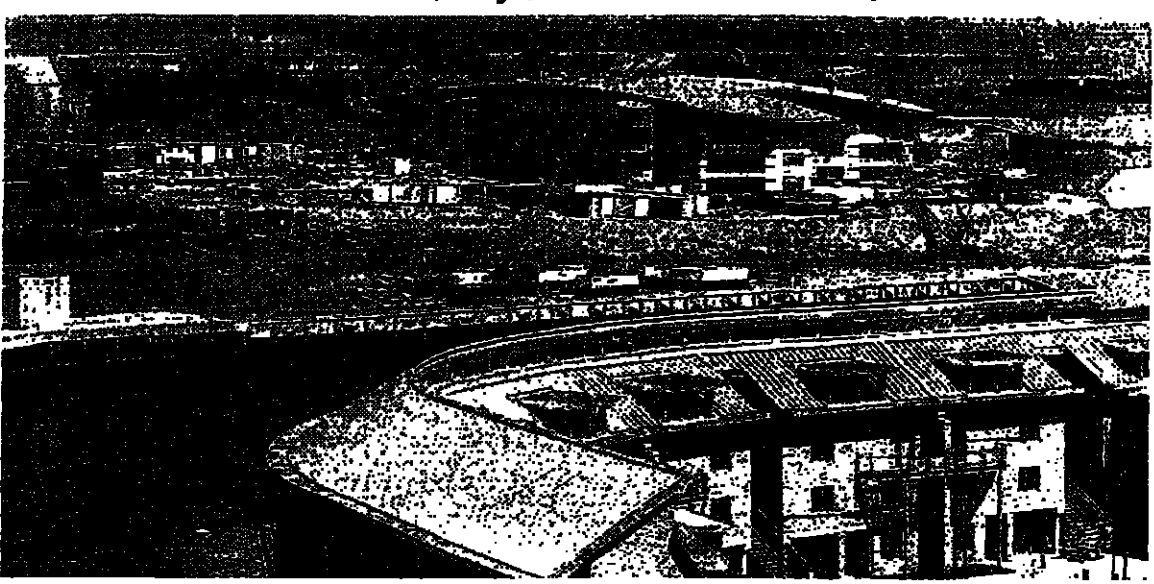
Companies that supply military aircraft to western governments do not view this prospect as an unmitigated disaster; it is the kind of thing that keeps them in business.

Russian Mig: competitive



Dreaming spires on city rubble

UK universities used to build on greenfield sites. Now they pick run-down urban areas, say John Authers and John Willman



On the river bank: Sunderland University is building a new campus (in the background) and student flats (foreground)

London's docklands may soon have an academic ivory tower to go with the spectacular glass skyscraper at Canary Wharf. Plans were unveiled this week to build a 280m university campus on derelict land in the Royal Docks, in partnership with the London Docklands Development Corporation, the local regeneration agency.

The project is the latest in a series of innovative schemes where universities are taking a leading role in the regeneration of UK cities. These include several other new campuses and a host of smaller projects such as science parks and student housing.

The partnership between universities and urban regeneration agencies is bringing benefits for both sides. Universities create jobs, provide training and other support services for business, and stimulate the local economy through spending by students and staff. In return, they get access to government urban regeneration grants at a time when funds for university expansion are limited.

The docklands project involves four local universities in plans to build a campus to cater for up to 5,000 students. Centred around a new Technology Institute, it will offer courses tailored to the needs of local employers, such as media, design and communications, business studies and health.

The London Docklands Development Corporation has committed £4.1m to the plan, arguing that it will be a "powerful stimulant for economic and social regeneration" in the area to the east of the capital. Support has also come from the London East Training and Enterprise Council, Newham Borough Council and London First, the business-led organisation set up to promote the capital.

The project's sponsors hope that the new Royals University College will create up to 2,000 permanent jobs. A similar project is just completing its first phase in Sunderland, where the university, a former polytechnic, is building a spectacular new campus on the site of a former ship fitting-out yard and dock. It will provide a home for four faculties, including business studies, computing and information systems, and art and design. Other parts of the riverside will be redeveloped as student accommodation.

For the university, the project provides much-needed space for expansion, on a site where the Tyne and Wear Development Corporation has been prepared to pump in £4m. The balance of the cost, forecast to be about £40m, will come from the higher education funding council and the university itself.

"Funding councils are very pleased when institutions can get financial leverage from other sources," says Dr Anne Wright, the university's vice-chancellor.

For Mr Alastair Balls, chief executive of the development corporation, the campus is the centrepiece of a strategy to regenerate the mouth of the Wear. Large businesses, such as the Nissan car factory, prefer spacious greenfield sites on the outskirts of the city with room for expansion. The university creates a new focus of activity on a waterfront that once housed the area's heavy industries. "It will bring new vitality to the area and put Sunderland firmly on the academic map of Britain," he says.

Building the new campus will create the equivalent of 200 full-time jobs in construction. When it is completed, about 1,500 permanent jobs are expected to follow. These include university employees, with 600 new staff in education and support services. The rest will be in the surrounding community, in businesses meeting the needs of staff and students.

The value of a university to the local economy is increasingly recognised outside big urban centres. Campaigns have been launched to bring higher education institutions to towns such as Lincoln and Gloucester.

In Manchester, the three universities in its "higher education precinct" employ a third of the city centre's population. "Higher education means serious money for Manchester," says Mr John Glaister, Central Manchester Development Corporation's chief executive. "It was £57m a year at the last count, and its value to the city's business economy is incalculable."

For many "new" universities, formerly polytechnics, involvement in urban regeneration is not just an easy way to raise capital when public funds are scarce. Often based on inner-city sites, they see their scope for growth lying in partnerships with local businesses, community organisations and development agencies. Such universities believe something of a virtuous circle could be created: they will be in greater demand if the local economy is flourishing and there is a demand from local businesses for education and training.

Moreover, such universities will also do better in attracting students if their environment is safe and attractive, says Professor David Chiddick, an executive pro-vice-chancellor at de Montfort university, which has four campuses in the east Midlands. "We are more likely to attract women to sign up for part-time business studies courses in the evening if they feel secure about entering the area on their own," he says. "I'm very anxious that the area around us is financially viable."

Prof Chiddick is closely involved in the government-funded City Chal-

enge scheme, in the area around its Leicester campus. A town planner by profession, he is convinced that universities have a role to play in bringing businesses back into the city centre. "We can offer facilities that will attract businesses into the urban environment," he says.

Like several other higher education institutions, de Montfort has set up a technology transfer and training centre to do just that. But the centre also brings benefits for the university, he says. "We have good ideas that have withered or been kept within a research environment," he says. "The centre allows us to test whether they have commercial applications."

The need for more co-operation between universities and urban regeneration agencies is underlined by the Committee of Vice-Chancellors and Principals, the co-ordinating body for university managers. It is lobbying agencies such as development corporations to make more use of higher education institutions. The committee's chairman, Professor Kenneth Edwards, vice-chancellor of Leicester University, says: "All universities have grown out of their local communities. As they developed into the universities of today, with their national and international dimensions, they have retained this local focus."

It would probably be more accurate to say that some, at least, have only recently rediscovered their local roots. The new universities of the 1960s such as Sussex, Warwick and York were built on greenfield campuses outside provincial centres, far removed from the inner cities.

At Warwick in 1970, there was a bruising student sit-in after students discovered links between the university and local businesses. The university's most famous don, the radical historian E.P. Thompson, resigned in disgust, penning a book called *Warwick University Ltd*.

Today, 51 per cent of Warwick's income is earned from the private sector. And the archive of trade union history started by Prof Thompson is housed in a £4m library funded by oil company BP. The university is now one of Coventry's 10 largest employers, and no longer wants to keep its links with the local economy a secret.

Financial programmes are back in fashion, but will enough people watch, asks Raymond Snoddy

TV adventure that shows business

The trouble with business television in the past has been that it has not amounted to much of a business. Businessmen have been happy to appear on television and, of course, they are desirable targets for advertisers. But catching them in front of the screen has been a much more difficult task.

That may be about to change as leading broadcasters and international business information providers use the latest technology to try to entice businessmen to switch on more often.

On Thursday Dow Jones, publisher of the Wall Street Journal, and Flextech, the media group controlled by US cable group Tele-Communications of Denver, said they planned to launch a round-the-clock business channel in February. European Business News will be broadcast by satellite and carried on cable network. There will also be a specialist service aimed at the screens of market professionals.

Also on Thursday, NBC Super Channel, the pan-European satellite broadcaster whose US parent company operates the CNBC business channel, announced an expansion of its coverage.

From January 3, NBC Super Channel will broadcast *European Money Wheel* – five hours of live business programming which will focus on the main financial and business markets. The morning *European Money Wheel* segment will be followed in the afternoon by CNBC live from the US, before giving way to non-business programming in the evening.

NBC Super Channel has not ruled out becoming a 24-hour business channel by adding an *Asian Money Wheel* to its existing Asian business service.

Likely to provide the European input is EFTV, the television arm of the Financial Times, which already provides two live 30-minute business programmes each weekday for NBC Super Channel. It is on the verge of signing a deal to provide the new *European Money Wheel* section, though neither organisation would confirm this officially last night.

That means that by early next year the two rival business publications, the Financial Times and the Wall Street Journal, will be involved in head-to-head confrontation for the business television market in Europe – though not 24 hours a day.

The activity is in marked contrast to a few years ago, when an early attempt to cre-

ate a European business channel failed. The Zurich-based European Business Channel went into bankruptcy in June 1990 after a possible rescue from Time Warner, the US media group, fell through.

A similar revival of interest in business programming is taking place in terrestrial television. In 1991, after four years on air, Channel 4 closed down its *Business Daily* having decided that its stretched resources should be used for business documentaries, rather than reaching about 350,000, often retired viewers on weekday lunchtimes.

Yet on September 19 the BBC will launch *Working Lunch*, a new half-hour programme five days a week, intended to explain the business and financial world.

To some in the media industry, the flurry of interest is surprising. For Mark Wood, editor-in-chief of Reuters news and information group, which this year launched a specialist financial television service for market professionals, is sceptical about the prospects for more general business channels, such as that planned by Dow Jones and Flextech.

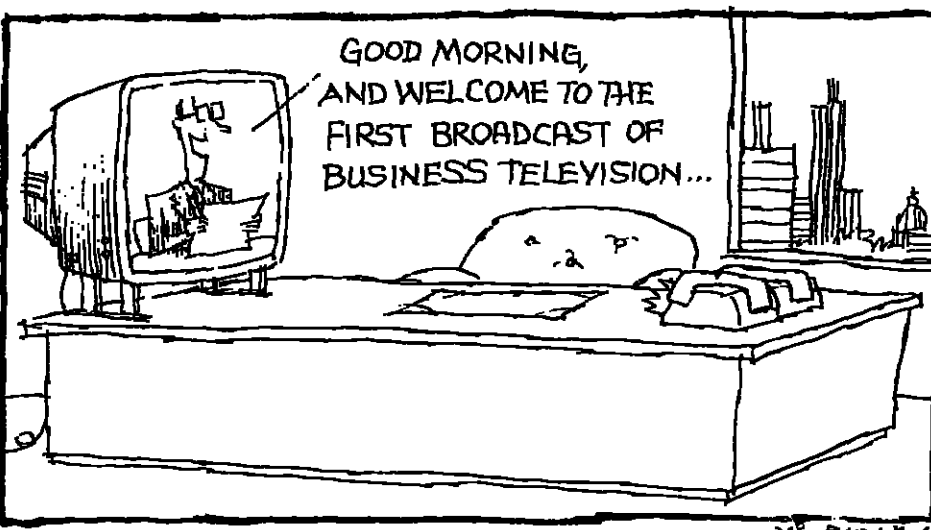
"It's a bold move. We keep

looking at it [a general business channel], but we have not been able to see how it can be done profitably," says Mr Wood.

Apart from its specialist channel, Reuters Financial Television, which usually only broadcasts when there is a market-moving interview or announcement, the group prefers to make programme segments for other broadcasters.

In spite of such scepticism, Mr Michael Connor, the managing director of European Business News, who is beginning talks with cable operators about carrying the new channel, is optimistic there is a market for a quality channel offering "news for business people".

Dow Jones appears to be intent on creating a worldwide network of both general business, and specialist, channels



for market professionals. In Asia, for instance, it is experimenting with a specialist service to complement the existing Asia Business News. In the US, the company is thinking about adding a general channel (to challenge CNBC) to its existing specialist outlet, Dow Jones Investor Network.

Its plans for Europe appear to be built on a conviction – rather than evidence – that there is a market for such services. There are no firm estimates of likely audiences. Even in Asia, after nearly 10 months on air, Mr Chris Graves, managing editor of Asia Business News, can only say that the channel, which can be picked up from Taiwan and southern China to Thailand and eastern India, is now available in between 12m and 18m homes.

He has, however, had letters from the Solomon Islands and reports that his audience includes businessmen such as Mr Richard Li, founder of Star Television, the Hong Kong-

based satellite broadcaster. Similarly, NBC Super Channel argues that it has a big reach on which to build an audience. It says it can be received in a total of 60m homes in Europe, former Soviet states, the Middle East and north Africa – 33m on cable networks and a further 27m through terrestrial retransmission.

Nevertheless, as the multi-million-pound business television battle begins to intensify, there is more than a degree of caution in the advertising world. "Newspapers are a much better way to reach businessmen. There's much less waste," says Mr Adam Smith of Zenith, the media buying arm of advertising group Saatchi and Saatchi.

If business television is to become a proper business in Europe, it will increasingly have to depend on subscription revenue from cable operators, as well as advertising. It will also have to prove businessmen want to watch.

Pattern of EU progress leaves public feeling frozen out by Eurocrats

From Mr Mark Libby.

Sir, I read with interest your editorial, "The chance for a Euro-debate" (September 5), about a multi-speed Europe.

Openness to the extension of the "hard core" and minimum EU membership requirements will not be enough for this model to work. Further democratisation of the European Union will also be necessary. Even after Maastricht, democratic accountability undermines the moral legitimacy of the European Union and endangers both the process of integration and the process of enlargement.

Until now, integration and closer co-operation among EU member states have been hampered out by national politicians in a relatively behind-the-scenes manner. This pattern cannot be sustained. It is alienating the electorate and leaving the public with the impression that it has been frozen out by "Eurocrats". This process also links European integration firmly to the

incumbent and often unpopular national governments who make the decisions. This discourages public debate of European issues on their own merits.

In a similar fashion, the democratic deficit undermines a key element in the logic of widening the EU. Membership of the Union will do little to "reinforce parliamentary democracy" in eastern Europe if policy-making at the European level does not incorporate greater democratic consultation. As European co-operation grows stronger, decisions made at the EU level will take on greater importance. Eastern and western Europeans alike will want a greater say as this process goes forward. But, however noble its end-goals, the current Byzantine horse-trading which characterises EU politics has little more legitimacy than a Soviet-era politburo.

Mark Libby, 72 Rogers Avenue, Somerville, MA 02144, US

The critical factor in population growth

From Mr John Montagu.

Sir, Edward Mortimer ("False alarm in Cairo", September 7) and others at last begin to reveal one of the underlying development messages of the Cairo conference which have been blurred by the more noisy antics of more fanatical priests and mullahs.

Women's economic power and consumer choice, where it has been allowed to develop, is already making an impact on the growth of world population and may ultimately prove the most critical factor – more than education.

I visited a women's economic activity development project in Orissa recently on behalf of the international charity Care, and was impressed by the potential earnings and savings power of rural women employed in a variety of small businesses.

This scheme is linked directly with a government nutrition programme in which families benefit from a range of health and childcare advice, while mothers have the chance to meet and share ideas for improving their income.

It is only within this social and economic structure that women cease to be mere child-bearers and have the opportunity to plan their families in the broadest sense.

In many countries they of course start at a considerable disadvantage, but it has been shown that in the least advanced rural economies there is often potential for the most dramatic social change. John Montagu, Mapperton House, Beamstead, Dorset DT3 3NR

Problem of own making

From Earl Russell.

Sir, Jonathan Aitken's comments on the growth of housing benefit ("Aitken targets housing benefit", September 6) are an example of what John Stuart Mill called the "inability of the unanalytical mind to recognise its own handiwork". He quotes figures for the growth of housing benefit since 1988, that is since the 1988 Housing Act deliberately adopted a policy of forcing up rents which has led, as could have been foreseen, to the growth of housing benefit. The government picked the rod for its own back.

Cuts in housing benefit without rent reductions will make more people homeless – just when the route of the homeless into permanent rehousing is being closed. This will lead to much higher expenditure on temporary housing and to a rapid growth in street begging. I fear the prime minister might find it an eyesore. Russell, Liberal Democrat spokesman, House of Lords, London SW1

under which the purchaser becomes responsible for all the debts and taxes of the property. Such a clause can, contrary to what the General Spanish Law otherwise provides, add quite substantially to the price.

This underlines the need not only for professional legal advice to be taken at an early stage in any Spanish property purchase, but also the need to follow the common sense precept that one should not sign anything, especially in Spanish, which one has not read or understood, particularly after a jug or two of Sangria!

John S Blackshaw, international counsel, De la Rosa & Asociados, Ricardo Soriano 22, 28600 Marbella, Spain

Easier to bring to account

From Mr Stephen B Brass.

Sir, Government refusal to legislate for the interest on a non-payment of accounts is but a small part of the UK business scene which has long since branded us as a third world country ("Venturing capital", August 25). Some of the others are:

- 1) The right to bounce cheques *ad infinitum*.
- 2) The time taken for courts to approve debts. Even when debts are approved for collection, the system for doing so is outrageous, with bailiffs rarely visiting as required – and going away as soon as someone says "boo". The time they take is sufficient to allow anyone to disappear with any remaining assets.
- 3) Complex court procedures

for redress. They are as costly as for any complex action, when they should be part of a simple "business court" and easy to operate in a business climate.

Business disputes should be able to go through the business court directly if the parties do not wish/are unable to go through the various agencies currently available, most of which do not have any legal standing.

For an easy reference to countries which operate easy, workable and efficient systems I suggest examination of systems in operation in Switzerland and Germany. Stephen B Brass, Stephen B Brass (Agencies), 88a The Broadway, London NW7 3TB

Keep a sharp eye on Spanish property contract, not the Sangria

From Mr Ian S Blackshaw.

Sir, I read with great interest Gerald Cadogan's article on Spanish property (Mediterranean Property, August 13/14) and, in particular, his warning against the vendor including a clause in the contract of sale,

COMPANY NEWS: UK

Rise in continental car production lifts Laird

By David Wighton

Laird Group, the automotive components and building products manufacturer, saw underlying pre-tax profits improve by 17 per cent to £23.9m in the first half helped by a recovery in continental car production in May and June. If last year's £3.1m exceptional credit is included, profits rose by just £30,000.

Mr John Gardiner, chairman, said that all three of the group's divisions reported higher profits, excluding exceptional items. "For the future the full benefits of the major investments in Draflex in Spain and the Czech Republic for the automotive industry have yet to be realised and the new plant in the US for Fullerton to supply the personal computer industry is just starting."

Underlying profits from automotive sealing systems rose 14 per cent to £10.9m on sales of £114.8m (£118.3m) despite margin pressure in Germany. Mr Ian Arnott, managing director, said he did not expect to see a rapid recovery in Germany due to the car manufacturers' efforts to reduce their costs and the transfer of assembly to lower cost countries.

However, Laird saw good growth in France helped by the success of Renault's and Peugeot's small models. Profits also rose sharply in Spain where the investment in new capacity began to pay off. The full benefit from Volkswagen's new



John Gardiner: all three divisions ahead, excluding exceptionals

Polo, which was launched on the continent last month, will be felt next year.

Underlying operating profits from the industrial products division rose 17 per cent to £11.5m on sales of £115.4m (£105.3m), largely thanks to the non-sealing systems automotive components business in France. The UK and US building products companies also turned in better figures.

Helped by a lower tax charge, earnings per share rose 7 per cent to 13.2p, an increase of 23 per cent excluding exceptional items. The interim dividend is up from 4.2p to 4.4p. Although Laird does not recover all its ACT, it has so far decided against paying foreign income dividends.

COMMENT

Given its heavy dependence on

the French and German car markets, Laird has performed extremely well over the last couple of years. Its Spanish investment has come good even though the new Polo, which was the main reason it put up the plant in 1989, is only now rolling off the production line. The non-automotive businesses are also building nicely and the French market is now recovering well. But life remains very tough. It is having to absorb some raw materials price increases in the face of fierce competition and pressure on costs from the car manufacturers, particularly in Germany. Profits could reach £44m this year which puts the shares at 406p on a multiple of 3.4 per cent the shares may struggle to make more headway.

Sheffield Insulations well ahead at £9.11m

By Paul Taylor

Sheffield Insulations Group, the distributor of thermal insulation and related products, yesterday announced substantially higher interim pre-tax profits, reflecting organic growth and acquisitions.

The group also revealed plans for a one-for-one scrip issue and said it plans to change its name to SIG to more reflect its broadly-based distribution business in the UK and overseas.

Pre-tax profits in the six months to June 30 almost trebled from £3.06m to £9.11m, on turnover up 78 per cent to £132.7m (£74.6m), which included £31.2m (£1.44m) from acquisitions.

Earnings per share advanced by 55 per cent to 8.5p (5.5p) and the interim dividend is increased by 11 per cent to 2p (1.8p).

Mr Norman Adsett, chairman, said the results reflected "good organic growth in the continuing operations supported by encouraging contributions from acquired businesses."

"The strong first half sales and margin performance in all our businesses and the opportunities which exist for further growth and development within the group lead me to view the second half and beyond with confidence," he added.

Operating profits from continuing operations advanced from £3.06m to £7.81m, while total operating profits increased threefold to £23.25m (£3.09m). WMS Group, a manufacturer of fittings for plastic windows and doors which contributed only one month's profit to the 1993 interim results, posted operating profits of £3.2m on turnover of £19.8m in the 1994 first half.

In the core insulation and ceilings distribution business, market share gains, further operating efficiencies and progress on margins all contributed to an improvement.

In hardware and security products, WMS continued to trade well having produced a strong profit performance.

Costain slips back into the red

By Christopher Price

Shares in Costain Group fell 11 per cent yesterday as the construction and engineering group slipped back into the red for the first six months of the year and put its US mining operations up for sale.

The company said that the mining division, which has been the subject of a recent £170m (£110m) investment programme, was likely to fetch in the region of £180m, although industry analysts believed the figure was more likely to be about £150m.

Mr Peter Costain, group chief executive, said that the group had already received organic growth and acquisitions.

He added that the decision to sell had been prompted by a review of the com-

pany's strategy resulting in a plan to concentrate its efforts on the construction and engineering business.

The shares closed down 3p at 24½p. Operating losses for the mining division totalled £9.8m (£5m profits) in the period helping drag Costain into pre-tax losses of £14m compared with profits of £68.1m, which included disposal profits of £68.5m.

Turnover fell to £514.5m, against £622.6m which included £33.2m from discontinued activities leaving the decline on continuing operations at 12 per cent.

Losses per share were 3p, against earnings of 28.5p. The dividend, last paid in 1991, was again passed.

Mr Costain said that the investment programme in the US mining business had been self-financing and had enhanced the sale value. Mr Thomas Parker, who headed the US coal operations, has left by mutual consent and been replaced

by Mr Peter Hill, a member of the board.

Profit margins in the construction and engineering division slipped from 1.5 per cent to 1.3 per cent as the company experienced tough trading conditions, particularly in the UK.

Operating profits fell 31 per cent to £4.6m (£6.7m) on turnover down 24 per cent to £249.3m (£322.1m). Mr Costain said he expected the UK market to remain difficult for the foreseeable future and that the company was redoubling its efforts to seek overseas work where margins were healthier.

The continuing divestment programme of non-core assets resulted in net debt falling from £204.7m to £63.3m. Shareholders funds increased 34 per cent to £210.4m (£157.4m), helping cut gearing from 37 per cent to 30 per cent.

See Lex

Too many chasing too little

Andrew Taylor looks at the problems facing the UK contractors

Some of the worst financial results to be published by Britain's construction companies were announced this week.

The contracting arms of Wimpey, John Laing, Amec, Wimpey and Costain, therefore, are looking to international work and private investment in infrastructure to increase profitability of their contracting operations.

Competition in overseas markets, however, is also tough and likely to become increasingly so, as contractors in other countries, particularly in Asia, develop new skills.

South Korea, where it began its nuclear power programme 15 years ago, imported up to 30 per cent of the value of the works. Today imports have been cut to 10 per cent while Korean construction companies have broken into international markets, particularly in the Middle East, where they have been highly competitive.

Martin Laing says: "It has long been recognised that being proficient in pouring concrete and erecting steel is not enough and that British and other international companies need to bring something else to the party if they are to be successful in overseas markets."

"Far Eastern countries have shown themselves very quick to learn new skills which they then use to win work in other export markets, further increasing competition."

Laing and other large British contractors in a bid to resolve this dilemma are pursuing privately-financed domestic and international infrastructure projects where returns, because of the investment risks involved, are expected to be much higher than for traditional contracting.

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UK contracting margins, therefore, are likely to remain depressed with construction demand expected to rise only modestly in the next two years.

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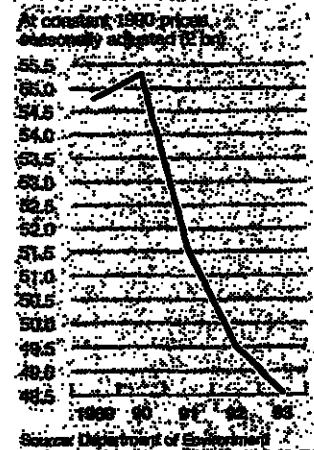
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Total UK construction output

At constant 1980 prices



Source: Department of Economic Affairs

Amec and Laing, can choose to invest their money elsewhere if the returns offered on UK private infrastructure projects are insufficient.

Laing has recently been buying UK housing land on the basis of achieving an operating margin of between 10 and 12 per cent, which would produce a return on capital of about 20 per cent, says Mr Jim Armstrong, the finance director.

British infrastructure investments will also have to compete with international projects seeking private investment, such as the £500m first phase of privately-financed light rail system in Kuala Lumpur in which Taylor Woodrow has taken a 15 per cent stake.

Contractors such as Taylor Woodrow have taken the lead in bidding individually and forming consortia to tender for privately-financed UK roads, railways, hospitals, prisons and student accommodation. Companies, however, will need sound balance sheets if they are to make headway in this market.

Laing, which had net cash of £16.2m at the end of June is more advanced than many of its rivals in establishing a portfolio of private infrastructure investments. These include the £800m privately-financed new Severn bridge, which it is building jointly with GTM Entrepote of France.

The problem for shareholders is that projects are unlikely to start making significant returns until the mid to late 1990s. Meanwhile general contracting margins will remain depressed and construction companies will have to continue to rely on a recovering UK housing market to bail them out.

Taylor Nelson rises to £3.1m

By David Blackwell

Taylor Nelson AGS, the market research group, doubled pre-tax profits to £3.06m in the six months to end-June.

This compares with £1.55m in the first-half last year, when the company invested £256,000 in an associated business.

The company attributed the improvement to rigorous cost controls and a reduction in low margin business, as well as an upturn in general business. The increased volume had been handled with little

increase in administrative costs.

Operating profits rose by 47 per cent from £1.88m to £2.77m, while turnover increased by 10 per cent from £25.9m to £28.6m.

Mr Tony Cowling, chief executive, said the company had been promoting branded services, where margins were higher. In the business service sector the brand Focus, which measures levels of customer satisfaction, had won several large contracts.

However, the healthcare sector, which accounts for more

than 20 per cent of group sales, had proved the strongest performer. Turnover grew by 40 per cent as the pharmaceutical industry responded to dramatic change, with a move from branded to generic products.

The net cash position improved from £9.46m at the end of last year to £12.3m at the end of the half. Net interest receivable rose from £195,000 to £236,000.

Earnings per share rose from 0.47p to 0.51p, and the interim dividend is lifted from 0.13p to 0.3p.

Operating profits from continuing operations advanced from £3.06m to £7.81m, while total operating profits increased threefold to £23.25m (£3.09m). WMS Group, a manufacturer of fittings for plastic windows and doors which contributed only one month's profit to the 1993 interim results, posted operating profits of £3.2m on turnover of £19.8m in the 1994 first half.

In the core insulation and ceilings distribution business, market share gains, further operating efficiencies and progress on margins all contributed to an improvement.

In hardware and security products, WMS continued to trade well having produced a strong profit performance.

Perry shares take a 12% tumble to 173p

By Heather Davidson

The share price at Perry Group, the motor distributor, dropped 12 per cent yesterday from 198p to 173p.

Mr Richard Allan, chairman and chief executive, reacted with surprise, blaming the fall on "over reaction by the market makers" to August's new car sales figures.

Pre-tax profits for the six

months to June 30 fell 11 per cent from £2.57m, which included a £1.56m property disposal, to £2.25m. The figures, Mr Allan said, were "in line with expectations".

Operating profits improved by 23 per cent to £3.14m (£2.44m) on turnover for the year to June 30 ahead by 42 per cent from £41.2m to £59.4m, including a £265,000 contribution from property sales.

Turnover increased 13 per cent to £11.6m (£10.2m). Earnings per share came out at 5.89p (4.34p) and the dividend is raised to 3.15p (2.8p) with a recommended final of 2.2p.

Mr Andrew Balcombe, chairman, said the automotive division had been significantly strengthened by four acquisitions in the year and a further one since the year end.

He said "the group can now look forward to further progress in the current year through a combination of organic growth and focused acquisitions."

Despite a low level of demand for garden furniture, Headway, the consumer and industrial goods specialist, raised pre-tax profits by 19 per cent from £272,000 to £323,000 for the year ended June 30. Turnover was 9.5 per cent higher at £27.2m.

Operating profits grew 24 per cent to £408,000. The consumer products side made a slightly lower loss of £308,000 (£236,000) on turnover up 9 per cent to £19.8m, while industrial products raised turnover 11 per

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NEWS DIGEST

Automotive boost for Armour Tst

Driven by growth in its automotive supplies division, Armour Trust, which also has confectonary interests, raised turnover by 6 per cent from £24.6m to £26.1m in the year ended April 30. Pre-tax profits grew 13 per cent to £1.83m, against £1.61m.

After a reduced tax charge, earnings per share rose 17 per cent to 4.9p (4.2p), while a final dividend of 1.43p makes a total of 1.8p (1.63p).

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DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Current dividend	Total for year	Total last year
Armour Trust	1.42	Jan 6	1.29	1.8	1.8355
James Beattie	1.5	Nov 1	1.5	-	6.2
Christie Int	0.5	Nov 1	0.5	-	2
Headway	0.7	Nov 3	0.7	-	0.7
Instans 5	1.4	Nov 25	1.2	-	0.7
Laird	4.4	Nov 25	4.2	-	10.7
Lloyds Smaller	1.75	Nov 3	1.75	-	3.8
Molins	2.75	Dec 2	4.2	-	15.4
Perry Group	2.75	Dec 1	2.75	-	7
Sheffield Insul	2.1	Dec 1	2.1	-	5.4
Stavert Zigomala	9.4145	-	8.4145	9.4145	8.4145
Taylor Nelson	0.3	Jan 3	0.13	-	0.45
Trafford Park	2.2	Nov 24	1.95	-	2.8
Under TV	7.5	Oct 21	6.25	-	15
Vintan	2.4	Oct 28	2.1	-	2.8
Walker (Thomas)	0.5	Nov 4	0.4	0.88	0.58
World of Leather	0.75	Oct 21	nil	-	nil

Dividends shown pence per share not except where otherwise stated. £100 increased capital, \$USM stock.

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MONEY MANAGEMENT

AND A MAJOR SURVEY

INVESTING FOR INCOME

Broad-based growth lifts Christies to £8.1m

By Caroline Southey

Broad-based growth in all its main salerooms helped Christie's International, the auctioneers, lift first half pre-tax profits by 15 per cent to £8.1m.

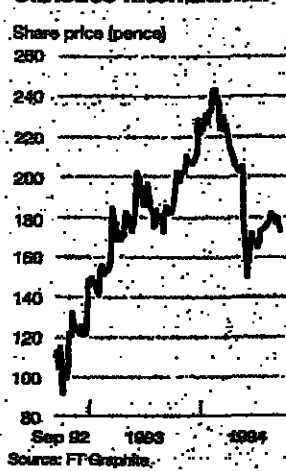
Total auction sales rose by 19 per cent to £390m in the six months to June 30 compared with the same period last year, although this was below the £389m achieved in the second half of 1993.

Furniture, oriental art, old masters, books and wine all produced sales increases of more than 25 per cent; the New York, Hong Kong and South Kensington salerooms all saw rises of 19 per cent or more.

Sir Anthony Tennant, chairman, said sales planned for the forthcoming season, which included consignments such as a Leonardo da Vinci manuscript, were encouraging. But it was too soon to predict second half sales.

Christie's continued to devote "substantial resources" to developing its presence in east Asia and Latin America, he said. It became the first west-

Christie's International



Source: FT Graphix

ern auction house with a presence in China, opening an office in Shanghai earlier this year. Spring sales in Hong Kong grew by 50 per cent.

Mr Peter Blythe, deputy finance director, said Christie's would use the office in Shanghai to raise its profile in China before making decisions about

further investments.

Total auction revenues rose by 21 per cent from £71m to £390m. This was slightly more than auction sales, mainly because of an increase last March in the buyers' premium, a commission charged to buyers.

Competition for major consignments meant that auction commission as a proportion of sales remained under pressure and costs had been pushed higher.

Administrative expenses were up from £30.2m to £26m while auction, print and other costs rose to £45.2m (£39.1m).

Remuneration costs also increased, partly because of recruitment in the Asia-Pacific region and Latin America.

Spink and Son, the fine art dealer acquired last April, contributed £10.6m to sales against £5.7m last time, while its operating profits dropped from £178,000 to £51,000.

Earnings per share increased by 13 per cent to 2.54p (2.51p). The interim is unchanged at 0.5p.

See Lex

Packaging side helps Molins up to £8.8m

By David Blackwell

An improved performance by the packaging division and lower interest payments helped Molins, the machinery group, to report a 10 per cent increase for the first half, in spite of a fall in operating profit on the core tobacco machinery side.

Pre-tax profits increased from £8m to £8.8m for the six months to end June, on turnover ahead at £96.6m (£85.3m), and the elimination of loss-making activities, including the electro-optics operations, helped lift trading profits by 59 per cent to £9.52m (£6m) on turnover which advanced by 7 per cent to £46.7m (£43.7m).

Earnings per share of 18.4p compare with losses of 7.2p and interim dividend rises to 2.4p (2.1p).

Mr Malcolm Raggott, group chief executive, said the results, which were ahead of market expectations, represented "an outstanding performance". The shares closed 19p higher at 502p.

The profit advance was led by the photographic business, which increased its profit contribution by 48 per cent to £5.24m (£3.54m) in turnover up 30 per cent to £21m (£16.1m). The latest period included a full contribution from Bogen Photo which was acquired in April last year and a particularly strong performance by Gruppo Manfrotto.

The broadcast business, which comprises Vinten Broadcast and Bixel which reported substantially improved results, more than doubled its profits to £2.8m (£1.34m) on turnover which grew by 7 per cent to

Vinten in the black at £9.06m

By Paul Taylor

Vinten, the international manufacturer and supplier of photographic, broadcast and surveillance products, yesterday reported interim pre-tax profits of £9.06m, compared with a losses of £1.71m after taking account of a £7.27m exceptional charge.

Acquisitions made in 1993, favourable trading conditions and the elimination of loss-making activities, including the electro-optics operations, helped lift trading profits by 59 per cent to £9.52m (£6m) on turnover which advanced by 7 per cent to £46.7m (£43.7m).

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The broadcast business, which comprises Vinten Broadcast and Bixel which reported substantially improved results, more than doubled its profits to £2.8m (£1.34m) on turnover which grew by 7 per cent to

£16.3m (£15.3m). Trading profits were boosted by cost reductions and by the acquisition of Total Spectrum Manufacturing in June last year.

Surveillance, the old core Vinten business, managed to increase turnover by a more modest 2 per cent to £9.35m (£9.17m) although profits at £1.4m were slightly down on the unusually high £1.69m in 1993.

Vinten's cash flow was again very strong and net debt fell by £10.7m to £700,000 resulting in negligible gearing at the end of June.

COMMENT

Vinten's transformation from a small domestic defence orientated business into an international company with three main business activities is

complete and the group is now beginning to reap the rewards. Bolstered by shrewd acquisitions and timely disposals the trading margin in the latest period was a very comfortable 20.4 per cent. Perhaps the biggest question facing the management is what to do for an encore. With £23m of cash in the balance sheet at the half year and virtually no gearing the management has plenty of flexibility. Building a fourth leg to the business looks like a reasonable option. In the meantime analysts were upgrading their full year pre-tax profit forecasts yesterday to around £18m producing earnings of about 36.5p. Despite yesterday's rise the shares are trading on a prospective p/e of 13.5 and still look good value.

Weather checks James Beattie performance

Announcing a static first half pre-tax profit of £1.27m, against £1.22m, Sir Eric Pountain, chairman of James Beattie, the Midlands department store group, said performance had been depressed by the weather.

Although total sales for the six months to July 31 were up by 9 per cent to £49.8m (£37.4m) this reflected new space; on a like for like basis sales were only 2.6 per cent ahead.

"The opening and closing weeks of the half year brought difficult trading conditions as we suffered from the extremes of weather," said Sir Eric.

After capital expenditure of £2.2m investments stood at £19.7m at July 31 against £19.3m a year earlier.

Earnings per share came out at 1.5p (1.75p). The interim dividend is a same-again 1.5p.

Premier Consolidated hit by oil price fall

By David Lascelles, Resources Editor

Premier Consolidated Oilfields, the independent oil company, raised its production by 26 per cent in the first half of 1994. But a parallel fall in the oil price, of 26 per cent, left operating profits down slightly over the period.

The company earned £5.5m to June 30, compared with £2.7m, while at the pre-tax level profits were down at £5.2m (£6.2m). After-tax profits at £3.4m were down by £1.2m due to adverse currency movements and slightly higher tax.

No dividend is being proposed, but Mr Charles Jamieson, the chief executive, said that Premier "is working towards it."

Capital expenditure over the period was £17m, and gearing remained around 50 per cent, with net borrowings of £64m.

Premier recently became the first foreign oil company to sign an oil production agreement in post-communist Albania. The deal, with Albpetrol, the state oil company, provides for enhancement of the Pafos Marine fields in the south of the country, and a development well at Durrës.

The company has also had exploration successes in Tunisia and Pakistan, and a testing programme is in progress offshore Cambodia.

Premier's current production is over 14,000 barrels of oil equivalent a day, and this is expected to rise to 20,000 barrels by the end of next year as developments at Wytch Farm, Fife and Qadipur come on stream.

Mr Jamieson said: "We are exposing our shareholders to considerable upside through low cost offshore developments."

The US based packaging machinery division, which concentrates on corrugated board, lifted operating profits from \$600,000 to £1.2m. Turnover rose to £27.2m (£26.6m).

Mr Greenwood said the company was still not happy with margins, "but at least we can point to progress, driven by improved conditions in North America."

The group is diversifying into food machinery, and first deliveries of a £6m contract with a multinational company for food machinery began later this year. "This is a first step into what we hope will be a new market for us," said Mr Greenwood. "We are building on our expertise in machinery that can handle delicate materials at high speed."

Earnings per share were 22.2p (20.1p), and the interim dividend is raised from 4.5p to 5.5p.

Virtuality sees 1995 profits

By David Wighton

Virtuality Group, the designer and manufacturer of virtual reality computer games which floated in October, yesterday forecast that it would move into profit next year.

In the six months to June it recorded a pre-tax loss of £695,000, after spending £880,000 on development, compared with a profit of £35,000. But Mr David Payne, chairman, stated: "I am confident that the existing core business and the signing of further licensing agreements will enable Virtuality to report a profitable

outcome for the 1995 financial year."

First half sales jumped to £41.3m (£24.4m) as a result of unit sales of entertainment systems more than doubling to 184, against 75 and a total of £18 sold during 1993.

Mr Jon Waldern, chief executive, said sales of its second generation machines, introduced in January, were on target. The second half should benefit from the recent launch of its second generation seated machine and from first sales of a low cost system developed with IBM for commercial users of virtual reality.

Virtuality's shares, which were floated at 170p, reached a high of 354p before falling back on worries about cheap competition. They slipped 2p to 197p yesterday.

Mr Waldern dismissed announcements by potential rivals as "a lot of hot air". "Nobody has brought together a whole product that matches our products in the arcade market," he said.

He said Virtuality was also well-placed to take advantage of the potential home market when the computer games manufacturers launched their new generation of machines.

Ulster TV up 25% to £2.45m

By Raymond Snoddy

Growth in advertising revenue pushed the pre-tax profits of Ulster Television up by 25 per cent in the six months to the end of June to £2.45m.

The Northern Ireland broadcaster increased advertising revenue by 16.1 per cent to £14.1m, a rate of growth more than double that achieved by the ITV system as a whole.

The growth was influenced, said Mr John McGuckian, the Ulster chairman, by a share of viewing that continued to be the highest of any television channel in the UK and the fact

that consumer expenditure in the recession had held up better in Northern Ireland than in the rest of the UK.

Current trading continued to be healthy and the television market in the UK was strengthening as a result of growing confidence in recovery. "We expect that this will be reflected in the forthcoming 1995 negotiations this autumn with those advertisers on annual agreements," Mr McGuckian said.

Ulster Television also reaffirmed its intention to apply, with partners, for a cable television licence for Northern

Ireland.

Turnover for the six months was £15m, an increase of 13.6 per cent. Earnings per share rose from 6.25p to 15.5p and the interim dividend rises from 6.25p to 7.5p.

Investment income at £204,000 was significantly lower than the £241,000 last year, reflecting lower deposit and dividend income, but will realise an exceptional pre-tax gain of £260,000 in the full year from the sale of part of its stake in SES, the Luxembourg-based satellite system.

The share price rose 15p to close at 665p.

World of Leather plans faster growth

Improved trading during 1994 has encouraged World of Leather, the USM-quoted furniture retailer, to accelerate its growth plans.

It is also returning to the dividend list with an interim payment of 0.75p.

The company plans to take the present 29 stores to 45 within the next three years.

To finance the expansion it is seeking a net £2.8m by way of a 1-for-2 rights issue of 4.02m shares at 75p. The issue is underwritten by Beeson Gregory, the company's broker.

The company also announced pre-tax profits of £341,000 for the first half of 1994, compared with £71,000 last time and full year losses of £121,000.

Turnover advanced by 10 per cent from £14m to £15.5m. Profits were helped by margins being maintained and by the lack of last year's exceptional charge of £134,000 relating to the settlement of a dispute with a contractor.

The directors are not taking up all their entitlements, resulting in their aggregate holdings falling from 62 per cent to 42 per cent.

The company is seeking to move up to a full listing. Earnings per share came out at 3.3p (0.9p).

INTERNATIONAL COMPANIES AND FINANCE

Union Carbide severs Indian link

By Shiraz Siddiqui in New Delhi

Union Carbide, the US chemical company, is to cut its links with India 10 years after the world's worst industrial disaster at its pesticide plant in Bhopal.

The group is selling its controlling 50.9 per cent stake in Union Carbide India to McLeod Russell India, part of the Calcutta-based B. M. Khaitan tea and engineering group, for Rs2.9bn (£392.3m).

Carbide, facing criminal proceedings in Indian courts for

the disaster which killed more than 2,500 people and seriously injured more than 30,000, had been permitted by the Indian Supreme Court in February to sell its stake in Union Carbide India to the highest bidder. McLeod Russell's bid of Rs175 per share was the highest received.

The court said Rs650m of the sale would go to the Bhopal Hospital Trust for the building of a hospital to treat the victims of the gas disaster. The trust, headed by Sir Ian Percival, has received Rs188m from

Union Carbide India for the hospital. Another Rs500m would be due to the government as capital gains tax. The rest of money would be held in an escrow account until the criminal cases pending against Carbide were solved.

The US parent was forced to sell some of its businesses worldwide to pay \$470m in compensation to the victims, after a settlement was reached in 1989 between the company and the Indian government, following four years of litigation.

The Carbide sale was negotiated by Bombay-based Credit Capital Finance Corporation and the State Bank of India, India's largest nationalised bank.

Other bidders included Mr Nussli Wadia, head of Bombay Dyeing, the textiles and chemicals group whose bid was made in conjunction with the UK-based Eveready Battery company, a subsidiary of Ralston Purina, which bought Carbide's battery business worldwide, except in India, after the gas tragedy.

Anglovaal industrial unit ahead

By Mark Suzzman in Johannesburg

Anglovaal Industries, the industrial arm of Anglovaal, the South African mining house, increased attributable profit for the year to June by 18 per cent to R407.1m (£110.8m) from R343.7m for the previous year.

Pre-tax profits rose 8 per cent to R763.8m from R704.4m, but an 8 per cent decrease in tax paid to R230.3m from R238.8m helped to lift bottom-line earnings. This was in spite of the inclusion of a one-off transitional levy of 5 per cent to help pay for April's elections.

Turnover rose 16 per cent to R9.67bn from R8.22bn, of which 5.9 per cent was the result of acquisitions. The dividend was increased to 230 cents from 195 cents. However, due to reduced cash resources and additional borrowings, net financing costs on the year were R14.4m, a sharp reversal from the previous year's R18m in net interest income.

Mr Jan Roberzette, managing director, said trading had been negatively affected by the political uncertainty in the run-up to the election but conditions had improved significantly in May and June.

Mr Roberzette said certain of the group's holdings, which include Consol, plastics manufacturer, Irvin and Johnson, food processor and Grinaker, construction and electronics group, still had substantial idle capacity and suffered from pressure on margins.

Cray revamps production lines

By Louise Kehoe in San Francisco

Cray Research, the world's leading supercomputer company, plans to revamp its manufacturing operations to speed production. The initiative will cut 350 jobs, plus about 1,000 temporary lay-offs.

The company said yesterday it would temporarily suspend some production operations in Wisconsin to install new equipment and 1,000 workers would be idle for up to eight weeks.

Cray said it would take a

charge in the fourth quarter of about \$5.5m, or 25 cents a share, to cover severance charges and costs for idle production.

Cray is facing competition from makers of massively parallel supercomputers that are less expensive than traditional supercomputers. IBM's entry into the market has increased competitive pressures on Cray.

Mr John Carlson, Cray chairman and chief executive, said the new manufacturing system would cut production time in

half, to about 16 weeks, reduce inventories and cut costs.

"We are retooling our operations unit to serve tomorrow's market place and to grow," Mr Carlson said in a letter to employees. The actions are "unavoidable," he said. "Our customers have choices today they didn't have just a few years ago."

"If we don't reduce the cost of our products to customers, they will simply do business with suppliers who can. We must grow; it is our only hope for a successful future."

Electrolux plans \$50m investment in SE Asia

By Christopher Brown-Humes

Electrolux, the world's largest producer of household appliances, has underscored its new focus on emerging markets with a \$50m investment programme in the fast-growing south-east Asia region.

Mr Christer Forström, senior vice-president, said: "Our objective is to be one of the top three suppliers of white goods in the Asian region by the year 2000."

The programme, which will rely heavily on advertising to promote Electrolux brands, will begin in Thailand before being expanded to include Malaysia, Singapore and Indonesia.

It is in line with the group's target of doubling its Asian sales from \$54.57m (\$58.5m) in 1993 over the next five

years. Electrolux said there was an emerging class of educated, urbanised Asian consumers with rapidly rising disposable income which provided it with a big new sales opportunity.

It cited predictions that in Thailand alone, the number of urban households would leap from 3.9m in 1990 to 8.2m in the year 2000.

The company said it had already widened its distribution network and it had spent the past two years adapting a wide range of products to meet Asian needs and tastes.

Electrolux said it expected annual demand growth in emerging markets, including south-east Asia, China and India, to be at least three times the 2 per cent level it forecast for its mature US and European markets.

Trading in BPA shares to reopen

By Peter Wise in Lisbon

Shares in Banco Português do Atlântico, Portugal's second largest bank, are to be readmitted to trading on the Lisbon stock exchange on Monday after a month's suspension following the announcement of a hostile bid by Banco Comercial Português, a smaller rival.

The securities exchange commission (CMVM) suspended the shares on August 10 after BCP's £5132m (£59.04bn) offer for a controlling stake of 40 per cent of BPA.

BPA shares were last quoted at £2.650, a gain of 31.8 per cent from July 26 when BCP bid £3,000 a share. The CMVM said BCP could buy 1.65m shares, 1.5 per cent of BPA capital, at the offer price. But BCP will be allowed to purchase these shares only if the government authorises the offer. A decision is expected on Tuesday.

Heineken profits rise 15% at six months

By Ronald van de Krol in Amsterdam

Heineken yesterday said it lifted net profit before extraordinary items by 15.6 per cent in the first half, in spite of a stagnation in the volume of beer sold.

The Dutch brewer attributed the rise to a stronger performance by its premium brands, such as Van der Grinten and Beckler, which command higher prices and generate higher profit margins than the standard beers in its international portfolio of brands.

Net profit before extraordinary items rose to F1254.5m (£144.6m) from F1220.1m a year earlier. Turnover was up 3.9 per cent at F14.69bn compared with F14.52bn in the same period of 1993.

Total net profit was lifted to F1313.1m by an extraordinary gain of F158.6m from the sale of a stake in Bols Bénédictine, the spirits joint venture.

Heineken said profit from normal business operations would rise at roughly the same rate in the second half as in the first six months.

The company gave no figure for volume sales by hectolitre, but said this was unchanged from a year earlier, excluding the consolidation of new companies in Switzerland and New Zealand.

The flatness of sales was due mainly to stagnant conditions in Europe, where demand was constrained by economic recession and inclement spring weather. Beer consumption fell in the Netherlands, Italy and France, but was higher in Spain and Greece.

Heineken reported strong exports to long-established markets such as the US, where turnover rose by 9 per cent, as well as to relatively newer markets such as China, where exports surged by 50 per cent.

The company is planning to step up its investment in Asia Pacific to benefit from the rapid expansion of the region's beer market. "We have several brands in the fire and we expect to be able to provide more information before the end of the year," Mr Karel Vuursteun, chairman, said.

Volvo finalising plans to cede part of Renault stake

By Alice Rawsthorn in Paris and Christopher Brown-Humes in Stockholm

Volvo, the Swedish motor group, is understood to be finalising plans to cede almost half its 20 per cent stake in Renault as a precursor to the French company's privatisation.

Renault, commenting on a report in yesterday's *Le Figaro* newspaper, confirmed it was approaching the end of talks with Volvo over the dismantling of their cross-shareholding agreement following the decision late last year by the Swedish group's shareholders to block the merger of the two companies.

However, it said the final details of the deal had not been agreed, including how many Renault shares Volvo would sell.

"We both want to find a way of ending what's left of the old

agreement," Renault said. "Discussions are continuing."

An amicable divorce from Volvo is seen as an essential component of the French government's plans to float a large part of its 80 per cent holding in the motor group.

If Renault is privatised before November 30 - which looks unlikely - Volvo has agreed to swap a 12 per cent stake in Renault for that company's 45 per cent holding in Volvo Trucks.

If the privatisation takes place after that date, the Swedish company has the option of buying back the Volvo Trucks stake for FF41.5bn (£630m) and disposing of its own Renault stake separately.

The French government is expected shortly to announce whether Renault or the Assurances Générales de France (AGF) insurance group will be the next candidate in its state asset sale programme. AGF's

management has lobbied hard for a speedy privatisation. But the consensus among analysts is that Renault is likely to go first, provided the government can clarify the Volvo issue.

Many observers expect an announcement to be made over the next few days as Mr Edouard Balladur, prime minister, has just received the official valuations of Renault.

The motor group is believed to be worth between FF40bn and FF44bn but, given the fragile state of the French stock market, the authorities would be expected to pitch the price of an eventual issue at the lower end of that range.

Volvo declined to comment on the French press report. However, it noted that if Renault was valued at more than FF37.5bn it would be more advantageous for it to sell its Renault

COMMODITIES AND BOND PRICES

Economic confidence lifts metals

By Deborah Hargreaves and Kenneth Gooding

The global economic outlook has not been so favourable since the 1980s, said RTZ, the world's biggest mining group, this week. And metals prices are certainly reflecting this view. Commodity and investment funds are piling into the metals markets, often ignoring the fact that the fundamental outlook for some materials — zinc and nickel for example — is not that bright.

On the other hand, most analysts suggest that the present buoyancy in the aluminium and lead prices can be justified. Aluminium's price reached a fresh high and a half-year peak of US\$1,591 a tonne on the London Metal Exchange yesterday. Aluminium alloy, an LME contract launched two years ago to provide material mainly for the car manufacturers, reached a record level. Earlier in the week, lead moved to its highest price for two years.

Buyers moved in for aluminium yesterday after the LME reported another substantial fall in stocks: 17,000 tonnes. Mr Nick Moore, analyst at Ord Minnett, pointed out that this followed a drop of 104,000 tonnes in July, which was the biggest monthly fall since the LME started trading aluminium. But he warned that the market continued to rely on producers keeping to the output cuts made earlier this year and at present prices are being severely tempted to restore production. Aluminium for delivery in three months closed last night on the LME at US\$1,586.75 a tonne, up \$22.35 compared with a week ago.

Lead, used mainly in batteries, also benefits from a healthy automotive market. Already lead is the best-performing LME metal since the world economic recovery began. Its price has risen by more than 70 per cent from the bottom of the trough in October last year from US\$837 a tonne to \$825 at one point this week.

Mr Wiktor Bielski, analyst at Bain & Co., pointed out that seasonal demand from the battery producers, who account for more than 70 per cent of lead demand, was helping tighten the market, as was a fall in exports from China, Russia and Kazakhstan.

Gold bulls had a good week. First, they pushed the price through tough technical resistance at US\$390 a troy ounce and, after this gave way, moved on to press against the barrier at \$392. Gold closed in

more than 70 per cent from the bottom of the trough in October last year from US\$837 a tonne to \$825 at one point this week.

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Prices reacted by surging to \$4,060 a tonne on Wednesday, but traders felt the market had overreacted and prices dropped on Thursday to \$3,920 a tonne before moving back to \$3,965 by the close in London last night, \$115 up from the close on Friday last week.

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BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

ALUMINIUM, 99.7 PURITY (\$ per tonne)

CASH 3 mths

Close 1683.5-84.5 1586.5-87.0

Previous 1669.54 1679.78

High/Low 1686 1691/1677

AM Official 1669.67 1690.81

Kerb close 1669.48 1690.43

Open int. 276,485

Total daily turnover 88,019

ALUMINIUM ALLOY (\$ per tonne)

Close 1677.82 1697.08

Previous 1669.70 1679.85

High/Low 1676.85 1695.89

AM Official 1669.70 1695.89

Kerb close 1676.85 1695.89

Open int. 2,846

Total daily turnover 534

LEAD (\$ per tonne)

Close 808.5-0.1 820.5-0.1

Previous 808 821/809

High/Low 808 821/809

AM Official 808 821/809

Kerb close 808 821/809

Open int. 41,122

Total daily turnover 8,701

NICKEL (\$ per tonne)

Close 6305-10 6400-5

Previous 6295-70 6400-5

High/Low 6295-70 6400-5

AM Official 6295-70 6400-5

Kerb close 6295-70 6400-5

Open int. 1,148

Total daily turnover 14,148

COPPER, grade A (\$ per tonne)

Close 2481-82 2489-07

Previous 2473-74 2489-07

High/Low 2473-74 2489-07

AM Official 2473-74 2489-07

Kerb close 2473-74 2489-07

Open int. 216,741

Total daily turnover 44,524

LME AM Official 2 mths 1,540

LME Closing 3 mths 1,520

Spot 1,591.5 6 mths 1,541 9 mths 1,529

HIGH GRADE COPPER (COMEX)

Close 118.25 118.00

Previous 118.00 117.75

High/Low 118.00 117.75

AM Official 118.00 117.75

Kerb close 118.00 117.75

Open int. 1,148

Total daily turnover 14,148

COPPER, grade A (\$ per tonne)

Close 2481-82 2489-07

Previous 2473-74 2489-07

High/Low 2473-74 2489-07

AM Official 2473-74 2489-07

Kerb close 2473-74 2489-07

Open int. 216,741

Total daily turnover 44,524

LME AM Official 2 mths 1,540

LME Closing 3 mths 1,520

Spot 1,591.5 6 mths 1,541 9 mths 1,529

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Close 2481-82 2489-07

Previous 2473-74 2489-07

High/Low 2473-74 2489-07

AM Official 2473-74 2489-07

Precious Metals continued

GOLD COMEX (100 Troy oz. \$/troy oz.)

Sett. Day's price change High Low Open Vol.

Sep 391.7 +1.2 392.8 392.1 391.7 1 3

Oct 392.8 +1.2 393.9 393.2 392.8 1 3

Nov 393.9 +1.2 395.0 394.3 393.9 1 3

Dec 395.0 +1.2 396.1 395.4 395.0 1 3

Jan 396.1 +1.2 397.2 396.5 396.1 1 3

Feb 397.2 +1.2 398.3 397.6 397.2 1 3

Mar 398.3 +1.2 399.4 398.7 398.3 1 3

Total 398.3 +1.2 399.4 398.7 398.3 1 3

PLATINUM NYMEX (50 Troy oz. \$/troy oz.)

Sett. Day's price change High Low Open Vol.

Sep 421.5 +1.2 422.6 421.5 421.5 1 3

Oct 422.6 +1.2 423.7 422.6 422.6 1 3

Nov 423.7 +1.2 424.8 423.7 423.7 1 3

Dec 424.8 +1.2 425.9 424.8 424.8 1 3

Jan 425.9 +1.2 427.0 425.9 425.9 1 3

Feb 427.0 +1.2 428.1 427.0 427.0 1 3

Mar 428.1 +1.2 429.2 428.1 428.1 1 3

Total 428.1 +1.2 429.2 428.1 428.1 1 3

PALLADIUM NYMEX (100 Troy oz. \$/troy oz.)

Sett. Day's price change High Low Open Vol.

Sep 182.0 +1.2 183.1 182.0 182.0 1 3

Oct 183.1 +1.2 184.2 183.1 183.1 1 3

Nov 184.2 +1.2 185.3 184.2 184.2 1 3

Dec 185.3 +1.2 186.4 185.3 185.3 1 3

Jan 186.4 +1.2 187.5 186.4 186.4 1 3

Feb 187.5 +1.2 188.6 187.5 187.5 1 3

Mar 188.6 +1.2 189.7 188.6 188.6 1 3

Total 188.6 +1.2 189.7 188.6 188.6 1 3

SILVER COMEX (100 Troy oz. \$/troy oz.)

Sett. Day's price change High Low Open Vol.

Sep 590.2 +5.2 595.4 590.2 590.2 1 3

Oct 595.4 +5.2 600.6 595.4 595.4 1 3

Nov 600.6 +5.2 605.8 600.6 600.6 1 3

Dec 605.8 +5.2 611.0 605.8 605.8 1 3

Jan 611.0 +5.2 616.2 611.0 611.0 1 3

Feb 616.2 +5.2 621.4 616.2 616.2 1 3

Mar 621.4 +5.2 626.6 621.4 621.4 1 3

Total 621.4 +5.2 626.6 621.4 621.4 1 3

NATURAL GAS NYMEX (10,000 US gal. \$/barrel)

Sett. Day's price change High Low Open Vol.

Sep 18.42 +0.02 18.44 18.42 18.42 1 3

Oct 18.44 +0.02 18.46 18.44 18.44 1 3

Nov 18.46 +0.02 18.48 18.46 18.46 1 3

Dec 18.48 +0.02 18.50 18.48 18.48 1 3

Jan 18.50 +0.02 18.52 18.50 18.50 1 3

Feb 18.52 +0.02 18.54 18.52 18.52 1 3

Mar 18.54 +0.02 18.56 18.54 18.54 1 3

Total 18.54 +0.02 18.56 18.54 18.54 1 3

HEATING OIL NYMEX (10,000 US gal. \$/barrel)

Sett. Day's price change High Low Open Vol.

Sep 18.42 +0.02 18.44 18.42 18.42 1 3

Oct 18.44 +0.02 18.46 18.44 18.44 1 3

Nov 18.46 +0.02 18.48 18.46 18.46 1 3

Dec 18.48 +0.02 18.50 18.48 18.48 1 3

Jan 18.50 +0.02 18.52 18.50 18.50 1 3

Feb 18.52 +0.02 18.54 18.52 18.52 1 3

Mar 18.54 +0.02 18.56 18.54 18.54 1 3

Total 18.54 +0.02 18.56 18.54 18.54 1 3

NATURAL GAS NYMEX (10,000 US gal. \$/barrel)

Sett. Day's price change High Low Open Vol.

Sep 18.42 +0.02 18.44 18.42 18.42 1 3

Oct 18.44 +0.02 18.46 18.44 18.44 1 3

Nov 18.46 +0.02 18.48 18.46 18.46 1 3

Dec 18.48 +0.02 18.50 18.48 18.48 1 3

Jan 18.50 +0.02 18.52 18.50 18.50 1 3

Feb 18.52 +0.02 18.54 18.52 18.52 1 3

Mar 18.54 +0.02 18.56 18.54 18.54 1 3

Total 18.54 +0.02 18.56 18.54 18.54 1 3

HEATING OIL NYMEX (10,000 US gal. \$/barrel)

Sett. Day's price change High Low Open Vol.

Sep 18.42 +0.02 18.44 18.42 18.42 1 3

Oct 18.44 +0.02 18.46 18.44 18.44 1 3

Nov 18.46 +0.02 18.48 18.46 18.46 1 3

Dec 18.48 +0.02 18.50 18.48 18.48 1 3

Jan 18.50 +0.02 18.52 18.50 18.50 1 3

Feb 18.52 +0.02 18.54 18.52 18.52 1 3

GRAINS AND OIL SEEDS

WHEAT LCE (\$ per tonne)

Sett. Day's price change High Low Open Vol.

Sep 105.40 +0.25 105.65 105.40 105.40 1 3

Oct 105.65 +0.25 105.90 105.65 105.65 1 3

Nov 105.90 +0.25 106.15 105.90 105.90 1 3

Dec 106.15 +0.25 106.40 106.15 106.15 1 3

Jan 106.40 +0.25 106.65 106.40 106.40 1 3

Feb 106.65 +0.25 106.90 106.65 106.65 1 3

Mar 106.90 +0.25 107.15 106.90 106.90 1 3

Total 107.15 +0.25 107.40 107.15 107.15 1 3

WHEAT CBOT (\$ per tonne)

Sett. Day's price change High Low Open Vol.

Sep 105.40 +0.25 105.65 105.40 105.40 1 3

Oct 105.65 +0.25 105.90 105.65 105.65 1 3

Nov 105.90 +0.25 106.15 105.90 105.90 1 3

Dec 106.15 +0.25 106.40 106.15 106.15 1 3

Jan 106.40 +0.25 106.65 106.40 106.40 1 3

Feb 106.65 +0.25 106.90 106.65 106.65 1 3

Mar 106.90 +0.25 107.15 106.90 106.90 1 3

Total 107.15 +0.25 107.40 107.15 107.15 1 3

MAIZE LCE (\$ per tonne)

Sett. Day's price change High Low Open Vol.

Sep 224.00 +1.00 225.00 224.00 224.00 1 3

Oct 225.00 +1.00 226.00 225.00 225.00 1 3

Nov 226.00 +1.00 227.00 226.00 226.00 1 3

Dec 227.00 +1.00 228.00 227.00 227.00 1 3

Jan 228.00 +1.00 229.00 228.00 228.00 1 3

Feb 229.00 +1.00 230.00 229.00 229.00 1 3

Mar 230.00 +1.00 231.00 230.00 230.00 1 3

Total 231.00 +1.00 232.00 231.00 231.00 1 3

BAILEY LCE (\$ per tonne)

Sett. Day's price change High Low Open Vol.

Sep 103.75 +0.05 103.80 103.75 103.75 1 3

Oct 103.80 +0.05 103.85 103.80 103.80 1 3

Nov 103.85 +0.05 103.90 103.85 103.85 1 3

Dec 103.90 +0.05 103.95 103.90 103.90 1 3

Jan 103.95 +0.05 104.00 103.95 103.95 1 3

Feb 104.00 +0.05 104.05 104.00 104.00 1 3

Mar 104.05 +0.05 104.10 104.05 104.05 1 3

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[illegible]

MANAGEMENT SERVICES

JERSEY (REGULATED)(*)

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WORLD STOCK MARKETS

AMERICA

Ill-prepared Dow slumps on PPI data

Wall Street

US share prices tumbled yesterday morning on news of a sharp increase in producer prices last month, writes Frank McCarty in New York.

By 1 pm, the Dow Jones Industrial Average was 35.33 lower at 3,874.13, after recovering somewhat from its worst level of the session. The Standard & Poor's 500 was down 4.52 at 468.62, reflecting the broad base of the sell-off. Declining issues outnumbered advances on the Big Board by a four-to-one margin. Volume was moderate, with 171m shares traded by early afternoon.

The secondary markets fared only a little better than the NYSE. The American SE com-

posite was off 1.34 at 454.17, and the Nasdaq composite shed 4.70 to 764.51.

In spite of indications to the contrary, the market was ill prepared for the bad news on inflation delivered by the Labor Department. Stocks across the board went into a tail-spin as trading opened, with investors jolted by the announcement of a 0.6 per cent increase in the August producer price index. A 0.5 per cent gain was forecast.

Before the session began, the strong reading set off alarm in the bond market, where a wave of selling pushed the yield on the benchmark 30-year Treasury to just under 7.70 per cent, its highest level since mid-July.

After sliding more than 40 points in the first hour, the

Dow industrials were able to stabilise and retrace some lost ground.

Still, as the afternoon commenced, 26 out of the index's 30 components were showing losses, four were unchanged and a single stock - General Electric - was clinging to a slender gain.

Rate-sensitive stocks were among the hardest hit, as some investors feared higher inflation would bring forward the Federal Reserve's next tightening of monetary policy.

In banking, Bankers Trust dropped 1.1 to 70.75, JP Morgan retraced 1.1 to 63.55 and Wells Fargo shed 1.1 to 154.4. Among securities houses, Merrill Lynch fell 1.1 to 89.75 and Morgan Stanley 1.1 to 86.75.

In retailing, J.P. Penney slumped 1.1 to 33.55 and Gap

Stores retreated 1.1 to 33.65. A 10 per cent decline in US Air's share valuation was unrelated to the day's economic developments. The issue was marked down 4% to \$8 the morning after one of the carrier's domestic flights crashed near Pittsburgh, killing 131 passengers and crew members.

CBS was one of the few bright spots in a generally dismal market. The media group climbed 0.9% to \$94.55 on stepped-up takeover speculation.

Canada

Toronto was in retreat at midday, shaken by the US producer prices which awakened dormant inflation fears.

The TSX 300 composite index fell 28.75 to 4,325.65 in volume

of 30.40m shares. Declines outpaced advances 343 to 240, with 265 issues flat.

Interest-sensitive financial services fell 42.55, or 1.4 per cent, to 3,045.55.

Brazil

Sao Paulo rose 2.2 per cent in moderate midday trade, still optimistic about Mr. Fernando Henrique Cardoso's presidential candidacy. The Bovespa index put on 1,152 to 53,875 at 1300 local time in turnover of R\$232.7m (R\$28.1m).

Analysts noted that the market was keeping a close eye on the commercial foreign exchange market where the real was up 1.5 per cent against the US dollar to the highest level since it was introduced on July 1.

EUROPE

Shock leaves brokers scrambling to unload

The shock delivered to currency and bond markets by the US PPI figures reverberated through the continent's equity bourses, writes Our Markets Staff. Brokers in Madrid, unhealthily sensitive to stimuli recently, may have been glad that bourse was closed for a holiday.

FRANKFURT ignored a weak bond market during the session to close the Dax index 12.78 higher at 2,183.55, just 0.9 per cent down on the week after the US PPI news, traders scrambled to unload positions ahead of the weekend and the Dax indicated Dax dropped to 2,155.58, 2.7 per cent lower than it was seven days earlier.

The afternoon's big falls came in the senior, most liquid blue chips: Allianz ended at DM2,428 after a session rise of DM23 to DM2,450; Deutsche Bank, at DM719.50 after DM719.20 to DM722; and Daimler, at DM255.10 after DM240, up DM7.

There were similar performances from Siemens and Volkswagen.

Variations on the theme included:

- Metallgesellschaft, weak on the session on a newspaper report that restructuring costs had eroded part of its capital, matching its year's low of DM176 in the post-bourse before ending at DM179.
- Lufthansa, losing its pre-valuation support on the session to close DM9 lower at DM197, but actually recovering to DM200 after hours; and
- SAP, the computer software group, soon to be traded on this, up DM23 to DM503 on the session on the strength of this but, fortunately, not traded in yesterday's post-bourse.

PARIS peaked at 1,993.47 and when the CAC 40 index dropped an initial 1.5 per cent in mid-afternoon on the US data, the French market still tried to run its winners.

However, the CAC carried on down, closing 2.9 per cent off its peak and 34.57 down on the day at 1,948.83, 3.5 per cent lower on the week; and the general run of its outperformers lost their early enthusiasm.

Retailers still had some steam in them. Docks de France, which had a flurry 10 days ago on renewed rumours

FT-SE Actuaries Share Indices

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Actuaries 100	1380.10	1386.71	1387.54	1388.28	1387.45	1379.88	1370.46	1370.03
FT-SE Actuaries 200	1434.04	1438.33	1437.38	1438.28	1438.02	1427.01	1418.24	1418.20

of a takeover bid by Sainsbury, the UK supermarket, climbed another FF720 to FF7797 after a block trade took 300,000 shares, or 2.5 per cent of its capital, through the market at FF7800.

What dealers described as an upbeat outlook for the retailing sector also lifted Commodities by FF735 to FF7475, after hours, it produced half year results which seemed more or less as expected.

Turnover was FF71.1bn. Of the CAC 40 stocks, 39 fell and one was unchanged. One of the biggest losers was Schneider, the electrical group, which added the Belgian legal tribulations of its chairman to the general malaise and dropped FF712.10 to FF737.40.

AMSTERDAM turned lower as worries about higher inflation and interest rates were revived. The AEX index fell 2.65 to 413.19, for a 1.8 per cent fall on the week.

Heineken, the brewer, jumped FF7.0, or 2.9 per cent, to FF24.50 after its first half figures came in above expectations and the group forecast higher full year profits. However, analysts noted that the rise was exaggerated by a shortage of sellers.

HBB, the construction group, added FF1.50 to FF130.00 after reporting higher first half net profits.

Royal Dutch fell FF1.70 to FF194.90, dragged down by the lower dollar, while Akzo, the chemical group, lost FF1.40 to FF12.70.

ZURICH turned back after a firmer start in growing turnover with investors anxious to square positions ahead of a long holiday weekend. The SMI index lost 22.0 to 2,643.1, for a 1.1 per cent fall on the week.

Roche certificates gave up SF71.40, or 2.3 per cent, to SF76.185 after their firm perfor-

mance earlier in the week, and Ciba was marked SF714 lower to SF770.

Nestle, which is to buy Unilever's German ice cream business, lost SF712 to SF712.17.

Against the trend, Ascom bearers built on Thursday's 5.3 per cent jump, in the wake of results, with a further SF55 or 3.5 per cent rise to SF71.645.

MILAN saw early gains erased as the market took its cue from other bourses, and with the absence of the prime minister from the day's cabinet meeting adding to worries over the cabinet's cohesion, and its ability to act decisively to cut the budget deficit.

The Commit index fell 2.63 to 662.53, for a 3.3 per cent fall on the week; but the real-time Mibtel index, reflecting the market's late activity, fell 1.8 per cent to 10,447 after a day's high of 10,700.

Olivetti group shares were under pressure after news that police had seized documents from the treasury ministry relating to a bid made by the company for the Ssi of computers. Olivetti was 1.81, or 3.9 per cent, lower at L2.006 and Cir, the holding company, gave up L8 to L1.963.

Insurers contained losses on expectations that they will benefit from government plans to reform pensions. Ras was L288 lower at L23.943 and General was L431 down at L40.796.

BRUSSELS saw strong first half figures from Union Miniere and the polyurethane foam maker, Recticel, and the broad market fared better than most.

The Bel-20 index ended down 5.68 at 1,453.99, above its low of 1,449.28 and down 1.9 per cent on the week, in turnover of about BF71.20bn.

Written and edited by William Cochrane and Michael Morgan

Telecom leaves Tokyo wary of over-supply

Emiko Terazono says that the Japan Tobacco listing is likely to be another casualty

Not only has last week's listing of Japan Telecom, the country's third largest telecommunications operator, left investors sitting on losses, but it has also triggered worries among investors towards future initial public offerings.

As a result, the biggest casualty is likely to be Japan Tobacco, which floats more than ¥300bn worth of stock this month. What worries investors is that together with Japan Telecom, the listing will inject more equity into the market than investors can handle.

The concern is that the Telecom listing has come at a time when underlying confidence has been weakened and the supply and demand situation has deteriorated. Such worries stem from continuing sales of shares by companies and banks, which want to spruce up their profits ahead of half year book closing at the end of the month. Another concern is that overseas investors, the biggest buyers in the stock market rally earlier this year, have started to question valuations of Japanese shares.

Banks have been especially active in the half-year end selling spree this year, partly due to recent weakness in the bond market. As fund procurement rates have risen in tandem with the increase in long term interest rates, profit margins have been squeezed. The stagnant demand for loans has also prompted lower profit margins as some banks have been forced to "dump" loans to companies. The decline in prof-

its from loans, as a result, has forced financial institutions to turn to the stock market for profits.

On the demand side, domestic institutions, which were expected to come back to the market earlier this year, have remained cautious, although public pension and insurance funds have been pumped into the market by the government to support prices. Some blame the high valuations of stock prices, while others argue that the chances of a triple dip in the economy are still high.

The reversal in sentiment among overseas investors has been the fundamental factor in the weakness in demand. Foreigners were the main buyers of Japanese stocks due to expectations of a recovery in earnings and the economy. However, many fund managers have lost their patience over the lack of movement in prices, especially with a price/earnings ratio of more than 90 times for the Nikkei.

"Foreigners, who started buying shares around 16,000 are questioning the extent of the recovery discussed into current share prices," says Mr. Jason James, strategist at James Capel. He adds that European and US investors are once again looking to shift to the US and markets in south east Asia.

While earlier this year many overseas investors were expecting a sharp earnings recovery due to restructuring and the fall in depreciation costs, opposition to this theory is asserting itself.

Mr. Alexander Kimmont, strategist at

Morgan Stanley who is forecasting a mere 8.3 per cent rise in profits for the current year to next March, argues that the effects of cost cutting will be muted since Japanese style restructuring still frowns on aggressively cutting overhead.

He maintains that since depreciation only accounted for 3.7 per cent of non-financial companies' sales in 1991 and 3.60 per cent last year, it can hardly be the main reason for the profit plunge, while a decline in depreciation over the next few years does not necessarily point to a sharp recovery in corporate earnings, as some foreigners had hoped.

However, analysts are divided on the outlook for corporate earnings. Mr. James sees a 15 per cent rise in consolidated pre-tax profits for the current business year and expects companies to revise their profit projections upward in the coming earnings announcement season in November.

Some investors seem to agree with such views and stocks that are usually active at the start of the earnings cycle have started to move. Basic materials such as steel, cement and paper have gained ground and could receive a further boost later in the cycle as commodity prices rise.

Mr. Alan Liversy, strategist at Kleinwort Benson, believes that foreigners, many of whom made the mistake of selling their holdings last autumn, do not want to take the risk of making the same mistake again.

He says there is a historical case for

not selling now. Looking back a few decades, investors in the Tokyo market who have bought in November and sold in May have seen far higher profits than those who have bought in May and sold in October.

Meanwhile, fears over Tobacco persist among many investors. The bear argument over the negative impact of the two JTs triggering another downward spiral is supported by Nikko Research Institute, which claims that share prices are placed under extreme pressure when equity financing by listed companies is greater than 15 times the average daily turnover. The extra injection of funds from the two issues will raise a total ¥5,700bn, substantially more than 15 times the current daily activity.

Mr. James says, however, that investors, who have learned their lesson from the East Japan Railway fiasco last year, have been selling futures to hedge their portfolios ahead of the Tobacco listings, preventing any unwinding.

The Tobacco listing on October 27 will not cause the market to plunge like last year's JR East listing, and could eventually trigger a rally. Although the Nikkei index is likely to move in the 10,000-20,000 range over the next month, share prices are likely to recover in November, as hedging in the futures is unwound by institutions and with the expected spate of upward earnings revisions following the listing.

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option	Call	Put	Option	Call	Put
Atm-Lynn	330	27	Atm-Lynn	330	27
Atm-Lynn	330	27	Atm-Lynn	330	27
Atm-Lynn	330	27	Atm-Lynn	330	27
Atm-Lynn	330	27	Atm-Lynn	330	27
Atm-Lynn	330	27	Atm-Lynn	330	27
Atm-Lynn	330	27	Atm-Lynn	330	27
Atm-Lynn	330	27	Atm-Lynn	330	27
Atm-Lynn	330	27	Atm-Lynn	330	27
Atm-Lynn	330	27	Atm-Lynn	330	27

RISES AND FALLS

	On Friday		On the week	
	Rises	Falls	Rises	Falls
British Funds	0	84	8	199
Other Road Interest	0	15	0	38
Mineral Exploration	60	71	77	320
General Financials	92	173	379	788
Consumer Goods	28	50	111	148
Services	72	123	305	417
Utilities	4	35	9	111
Financials	44	135	157	333
Investment Trusts	33	21	221	699
Others	58	50	150	240
Totals	357	628	1,313	2,275

Data based on those companies listed on the London Stock Exchange.

Data based on those companies listed on the London Stock Service.

First Dealings August 22 September 9

Call: BTR Wite 97, CML-Monrovia, CML-Armstrong, Harrington Kibbick, Naven, Piers, Talors, Tullow Oil, Wills, Opt. Put: BTR Wite 97.

LONDON RECENT ISSUES: EQUITIES

Issue	Amount	Latest price	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995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TRANSPORT - Cont[illegible]

Ford Algonquin 1997 1.8L 4-cyl. 130000 km. 11
Royal Elk Car 1997 1.8L 4-cyl. 130000 km. 11
1997 Ford 1.8L 4-cyl. 130000 km. 11

	Notes	Price
Anglo Am Inst.		£30
Anglo Am Corp.		54 1/2
Gold Field Prop.	R	127 1/2
K.P. Props.		25
GASOL		479
SA Brown		£12 1/2
Gold Fields		800
Unigast-Hulett	J	551

GUIDE TO LONDON

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Company classifications are those of the Stock Exchange

Closing and mid-price are shown in lower and based on intra-day mid-price

where stocks are denominated in
indicated after the name.

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Asprey's shares plunge as big spenders stay away

By Caroline Southern

Shares in Asprey fell by more than a third yesterday after the exclusive jewellery retailer gave a warning that the loss of a few big-spending customers would severely depress its profits.

The shares closed down 110p at 200p after dropping as low as 178p during the day.

Mr Naim Attallah, chief executive, said sales in the core Asprey businesses had fallen dramatically, with the biggest decline in high-value sales to "certain customers in the export market".

"Many heads of states are not spending the kind of money they used to," he said.

"We are still dependent on a few big accounts, and the volume of high-value sales has been very low so far this year," he said.

There were no signs of an upturn, he added, and the fall in

sales would significantly reduce profitability in the first half of the group's financial year.

Asprey's Bond Street shop stocks items including a set of jewellery made from diamonds and Burma rubies retailing for £2m and a pair of life-sized pendants made from oxidised silver offered at £450,000.

The prices of commissioned items, which accounted for 10 per cent of turnover last year, can be much higher.

Evidence during the recession suggested that even the super-rich had been discouraged from buying luxury goods while prices in that sector of the market were held steady by lack of demand.

Although Asprey has sought to expand its customer base, the core Asprey business contributed 75 per cent of profits and 55 per cent of sales in the year to March

31. The company also owns Mappin & Webb, Garrard and Watches of Switzerland.

Mr Attallah also identified other areas of concern in the group. Garrard, the crown jewellers, had suffered a fall in export sales that was "likely to eliminate its contribution to group profits in the first half".

The contribution from Watches of Switzerland was also likely to be depressed, as overhead spending had exceeded sales growth. The division has opened 10 new outlets since its acquisition by Asprey in 1992.

In the year to March, Asprey reported an 18 per cent increase in pre-tax profits to £28.4m and sales up 30 per cent from £144.7m to £187.6m.

Mappin and Webb opens Prague store, Page 2
See Lex

Cuba and US reach deal to halt flow of refugees

By James Harding in Washington

The US and Cuba yesterday reached an agreement to halt the flow of Cuban refugees in a move that marks the first measure of co-operation between the two countries since a flood of migrants swept towards Florida last month.

There had been speculation that the talks held in New York for over a week were on the verge of reaching a positive outcome after Mr Mike McCurry, US State Department spokesman, told reporters: "The United States is satisfied that many of our goals have been met at this discussion today."

The talks resumed yesterday after a 24-hour suspension in which Mr Ricardo Alarcon, the former foreign minister and head of the Cuban delegation, returned to Havana for consultations. "This agreement, when carried out, will help ensure that the massive flow of dangerous and illegal migration will be replaced by a safer, legal and more orderly process," President Bill Clinton said in a statement issued in New Orleans, where he was making a speech.

The accord was thought likely to include provisions to boost the numbers of Cubans entering the US through legal channels from the current level of less than 4,000 a year to as many as 20,000.

This may involve bending existing US immigration regulations in return for a guarantee from the government of President Fidel Castro that border patrols would stop people trying to flee Cuba on makeshift rafts.

The Cuban side was reported to have originally demanded visas for as many as 120,000 Cubans, and to have sought a commitment from the US to future talks on broader bilateral issues, in particular the 33-year-old US trade embargo against Cuba.

Gyllenhammar switches to banking after Volvo debacle

By Hugh Carnegie in Stockholm

Ten months after resigning in the aftermath of Europe's most spectacular failed merger, Mr Pehr Gyllenhammar, former chairman of Volvo, has emerged in a new guise as investment banker.

The announcement that he is to move to London to set up an investment bank with Hans-Jörg Rudloff, the Euromarkets pioneer, has settled the question of what the former chief of Sweden's biggest manufacturing company would do after the collapse last December of his plans to merge Volvo's car and truck operations with Renault of France.

Mr Gyllenhammar said the bank would offer a traditional service - "very private, very discreet and very focused on the client" - which will operate across Europe.

Yesterday "P.G.", as he is

known in Sweden, was in ebullient mood, full of enthusiasm for his new project and insisting that he harboured no bitterness over the shareholder and management revolt that scuppered the merger plan and prompted his resignation after two decades in charge at Volvo.

Mr Gyllenhammar, 59, has avoided - and says he will continue to avoid - talking in detail about the events of last winter. But he did not disguise his criticism of Volvo's subsequent change of direction, nor did he make much effort to dispel the impression he gave in a recent interview that he believed he was the victim of a "gigantic power play" by the Wallenberg empire to cut Volvo down to size.

The Wallenbergs flatly deny the allegation, which Mr Gyllenhammar has not substantiated.

Volvo has since decided to concentrate on its core business and

sell SKR400n (£3.38bn) worth of non-core businesses built up by Mr Gyllenhammar. He is adamant that his strategy of merging the vehicle operations with Renault and diversifying Volvo into other industries was the best long-term prospect. "I haven't changed my mind. I stand by my conviction that the deal we proposed was a good deal."

He added: "I am looking to the future now. This is a very interesting venture and it is very natural that if I am to be involved I have to be there, on the spot."

Mr Gyllenhammar said he would spend four-fifths of his time working at the as yet unnamed investment bank, which is to be backed by Belgium's Banque Bruxelles Lambert and managed by Mr Rudloff and Mr Peter Ogden, a former director at Morgan Stanley.

Volvo finalises plans, Page 9

Major call on 'yobs'

Continued from Page 1

ers" and tighten the bail rules.

Mr Major accepted that the public wanted "tough and challenging penalties for persistent young offenders, not visits to safari parks." Alleged offenders should be remanded in custody rather than bailed if there was any risk of repeating the kind of violent crimes for which they were awaiting trial, he said.

He said the public want a clampdown on those who make the streets frightening.

Mr Alun Michael, Labour spokesman on home affairs, accused Mr Major of giving "the illusion of action" while offering little comfort to victims of crime.

De Beers accuses Russia

Continued from Page 1

producer capable of launching a sustained attack on its prices. If it renews the contract, it may have to accept a level of discipline that might also threaten price levels. It would also send the wrong message to other cartel members such as Zaire, Australia, Namibia and Angola.

The belief in Russia that producers could achieve a higher return outside the cartel has been strengthened by the retirement of a generation of officials used to working with De Beers in the cartel system - and the rise of nationalist politicians hostile to the agreement on political and economic grounds.

Mr Leonid Gurevich, formerly head of a parliamentary committee on gold and precious metals

and now vice-president in charge of diamonds at the State Precious Metals Committee, believes the agreement with De Beers is too restrictive and should be renewed only if it allows much more scope for free sales.

De Beers executives, who have held a series of talks with the Russians this year, presented evidence that the unofficial sales had lowered prices worldwide - or at best kept them at last year's levels when increased consumer demand would normally have caused an increase.

According to De Beers, the Russian officials accepted that there was substantial unofficial selling and that prices were depressed, adding that these sales were causing concern to the Russian authorities, which were investigating how to stop them.

Bonds and stocks fall

Continued from Page 1

Although the increase in producer prices was commodities-led, the index rose by 0.4 per cent even when the volatile food and fuel sectors are excluded from the data. That "core" rate of wholesale price inflation fell only 0.1 per cent in July, and actually fell 0.1 per cent in June.

As regards food, beef prices were 6.9 per cent higher, pork 3.3 per cent and fish 4.4 per cent. That combined to more than offset drops in the cost of fruit and vegetables and produced a 0.7 per cent rise in the food index, the largest advance since last November.

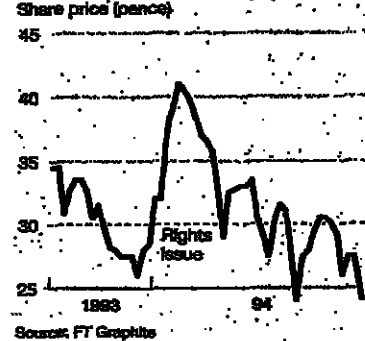
THE LEX COLUMN

Running scared again

FT-SE Index: 3139.3 (-40.7)

Costain Group

Share price (pence)



Costain claims they are better than most in the industry.

Nevertheless, the group does not have the scale or financial muscle to participate in the high-margin lead-contracting business for large-scale private finance initiatives. Elsewhere, the contracting market is unlikely to improve for at least a couple of years. Probably the best option would be for Costain to be absorbed by another construction company. Such deals do not have a good record, but they can work if the differing cultures can be successfully welded.

Fids

Foreign income dividends, known to the cognoscenti as fids, have begun to catch on. This week Costa Virella, BTR, RTZ and Burmah Castrol all announced they were adopting this form of payout.

Like last year's enhanced scrip dividends, fids reduce a company's liability to tax. By paying the dividend out of foreign income which has been taxed abroad, a company can escape advance corporation tax. The lower tax bill enhances its earnings. Fids are a more welcome device than enhanced scrips, principally because they require companies to pay cash dividends. At best enhanced scrips diluted an investor's stake. At worst they were little more than rights issues in disguise.

The impact of a fid is neutral on tax-exempt investors provided - as has happened in every case so far - the company grosses up the payment to compensate them for their inability to claim an ACT credit. Tax-paying investors then become the main beneficiaries, as they receive a higher divi-

dend than would otherwise have been the case. Tax-exempt investors may grumble that others are receiving a larger slice of the cake than hitherto. Yet even they should reap some indirect benefits.

The earnings enhancement that comes from fids is somewhat illusory. The company must pay extra dividends to reduce its tax bill, so its cash position is unchanged at the end of the day. But though the benefits are unequal, the fact that more cash is being distributed should push up share prices and increase value for everybody. Moreover, the rules prevent any scrip alternative or share issue in connection with fids, which is one reason BTR's results were notable for the absence of a warrant issue. To benefit from the scheme, companies must ensure their subsidiaries abroad are generating the cash to pay for it. There cannot be harm in that.

Art market

Art may not be a perfect indicator of where the world economy is heading, but it is better than many. When people believe they have more disposable income, they spend it on inconsequential, such as antique toys and pretty pictures. The art market is experiencing a recovery of sorts, but as in the broader economy, confidence remains fragile. Although Christie's auction sales were up 19 per cent year on year during the first six months, they were marginally down on the previous half year. Consumer confidence had been hit by the collapse in the bond market, accounting for disappointing sales of Impressionist and modern painting during May and June.

While Asprey complains that heads of state are spending less, Japanese corporate buyers and Australian entrepreneurs also remain absent from the art market. North American buyers have given few signs of purchasing works as hedges against inflation.

As an indicator of global shifts in wealth, the art market is an even better guide. Buyers are increasingly from the rapidly expanding far eastern economies. The Asian region now accounts for 10 per cent of Christie's auction sales. Although such buyers are purchasing local works - Christie's sales of oriental works were up 25 per cent - they are also picking up easy-on-the-eye Impressionist pictures. Whether they can drive prices to the absurd levels of 1990 is highly unlikely.

Investing in Japan

Profit from Experience

There's no question about the current potential of the Japanese stockmarket. Interest rates are at record lows and could decline still further. And falling corporate profits are generally suppressing share prices, creating a wealth of attractive investment opportunities.

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FT WEATHER GUIDE

Europe today

Western Europe will continue unsettled. Frequent rain showers, some with thunder, and strong winds will be common over the British Isles. France, the Benelux and Scandinavia. Most of Spain will be sunny, however northern parts of Spain and Portugal will be cloudy with rain or drizzle. It will be quite warm and sunny in Italy with afternoon temperatures of 28C-32C, but with a few showers in the north. Greece will have scattered thundery showers, but more thunder will erupt along a cold front over the Balkans and Baltic states. Sunny weather will bring temperatures in the eastern Ukraine to 25C-30C, but the west will be much cooler due to cloud and rain.

Five-day forecast

Cool, unstable air will be drawn deep into the continent by Sunday, producing showers interspersed with sunny spells in north-western Europe. A depression north of Scotland is expected over Scandinavia by Sunday. As a result, showers will lessen over the UK, where, by Monday, it will be mostly dry with sunny periods. Unsettled conditions will return later in the week. Scandinavia will remain windy with frequent showers, but the Mediterranean will have only isolated showers.

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES			
Maximum	Minimum	Forecast	Forecast
Abu Dhabi	31	25	25
Accra	31	25	25
Algiers	31	25	25
Amsterdam	15	10	10
Athens	31	25	25
Batavia	31	25	25
Bombay	31	25	25
Buenos Aires	31	25	25
Calcutta	31	25	25
Cairo	31	25	25
Cardiff	15	10	10
Casablanca	31	25	25
Cebu	31	25	25
Chengdu	31	25	25
Dakar	31	25	25
Dallas	31	25	25
Delhi	31	25	25
Dubai	31	25	25
Dublin	15	10	10
Edinburgh	15	10	10
Hankow	31	25	25
Hong Kong	31	25	25
Karachi	31	25	25
Kuala Lumpur	31	25	25
London	15	10	10
Luxembourg	15	10	10
Lyons	15	10	10
Madrid	31	25	25
Manila	31	25	25
Mexico City	31	25	25
Moscow	31	25	25
Mumbai	31	25	25
Nairobi	31	25	25
Nassau	31	25	25
New York	31	25	25
Nice	31	25	25
Nicosia	31	25	25
Osaka	31	25	25
Paris	15	10	10
Perth	31	25	25
Prague	31	25	25
Rangoon	31	25	25
Rio	31	25	25
Rome	31	25	25
S. Francisco	31	25	25
Seoul	31	25	25
Singapore	31	25	25
Stockholm	31	25	25
Taipei	31	25	25
Tokyo	31	25	25
Toronto	31	25	25
Vancouver	31	25	25
Vladivostok	31	25	25
Warsaw	31	25	25
Washington	31	25	25
Wellington	31	25	25
Winnipeg	31	25	25
Zurich	31	25	25

We wish you a pleasant flight.

Lufthansa

Weekend FT

SECTION II

Weekend September 10/September 11 1994

Will they bid for peace?

The republicans say they have given up violence. But are the unionists buying it? Christian Tyler went to Northern Ireland and asked them

A woman in the little crowd outside the Orange Hall was shouting: "Is Gerry Adams in there? Is he hiding under Mayhew's raincoat?"

Inside the hall, Sir Patrick Mayhew, tall and grey-faced, was making his most important public appearance since the IRA ceasefire. Alternately flattered and firm – and with an apology for past misunderstanding – the Secretary of State for Northern Ireland was trying to cajole the distrustful ranks of Protestant brethren who remain convinced their British government is selling out to Sinn Féin and the IRA gunmen after 25 years of bloodshed.

The hall was decked with the banners of the Orange lodges for an historic encounter in the town of Comber, County Down, on Wednesday night. About 200 men – and half a dozen women – were packed into an airless upstairs room. Arrayed in the orange stoles and insignia of their Order, they looked honest, decent folk – but implacable. They declared their fears and suppressed their anger as they respectfully applauded the first Secretary of State to come down from Stormont Castle to face the rank and file of Orange Protestant unionism.

Before Mayhew's ordeal a minister said prayers and read from St Paul's epistle to the Thessalonians. The Grand Lodge chairman, the eloquent David McNarry, warned against indiscipline on the floor. Sir Patrick was then presented with a handsome bible: and for a moment it seemed he was expected to take the oath on the spot: "There is No Secret Deal."

The unionist majority of northern Ireland feels itself the underdog these days, the more so as Sinn Féin reap the propaganda rewards of its 10-day-old initiative. For many unionist footsolders the IRA declaration is a tactical sham, a contrivance. They are suspicious of the republicans, suspicious of Westminster, afraid of being cast as the villains of the piece, afraid of their own triumphalist paramilitaries, and afraid of domination by Dublin – or Rome.

Can such people ever make peace?

In spite of the universal hope of peace, for many unionists the IRA ceasefire has changed nothing. Asked whether he felt



A ringside seat in Ulster: farmers at the weekly Saintfield livestock auction in County Down. For many unionists, the IRA ceasefire has changed nothing

Tony Andrews

different now, an old farmer at the Saintfield weekly cattle auction winked roguishly and said: "No. I had my hair cut last week. It's grown again this week."

Farmers tend to be men of few words. But the buyers clustered at the ringside this week, giving almost undetectable jerks of the thumb to register their bids with the fast-talking auctioneer, constitute the backbone of a dangerously aggrieved majority.

William Dick, a pleasant and articulate

young beef farmer with 140 acres, is a local councillor from the Rev Ian Paisley's Democratic Unionist Party. Speaking after Paisley's showdown with John Major at Number 10 this week, he said mainlanders should not make the mistake of thinking that just because Paisley had "his own way of expressing himself" he did not correctly represent the views of the community. Nor should they forget that in the recent European elections, Paisley's party had topped the Ulster poll.

"We have made our views known, but the unionist viewpoint has been set aside," he said. "For the English it is hard to perceive what is going on. At local level we have no trouble getting on with the SDLP (the non-violent republican party led by John Hume) but at national level their demands are hardening all the time." As for Gerry Adams and Sinn Féin, they had sponsored butchery one week and been received by the Irish Prime Minister the next. "There has been no word of remorse,

no apologies for the deaths." Even out in the rolling countryside of County Down, most people have been touched by the violence. The last IRA victim before the ceasefire was a friend of Councillor Dick, a part-time member of the Royal Irish Regiment (formerly Ulster Defence Regiment) and church organist called Telford Withers who was shot at point-blank range in his shop in nearby

Continued on Page XIII

'I was on holiday in London when the IRA Christmas bombing campaign began. I was worried for the bobbies. Me! Irish Dan Ring!'

The view from Boston, Page XIII

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Long View/Barry Riley

A new phase of crisis



When the German government can no longer easily sell its bonds you have to start worrying. For decades German bonds set the standard for investment quality among fixed-income securities but, this week, the yield on 10-year D-Mark bonds rose to more than 7 1/2 per cent – significantly greater than the yield on those by the US Treasury and denominated, of course, in the dodgy dollar.

That old law of supply and demand is at work here. A reminder of the sheer volume of supply of bonds around the world comes from the annual Salomon Brothers estimation exercise, which has thrown up a figure of \$16.3 trillion (1trn = 1,000bn) as the size of the world bond market by the end of last year.

This covers the 21 leading currencies, although almost half the bonds are denominated in US dollars and by the time you have added in Japanese, German, Italian, French, British and Canadian paper you have covered 80 per cent of the field.

Total outstanding debt rose 10 per cent in 1993, expressed in dollars. The world's investors swallowed all the new issues greedily – a net total of \$1.6 trillion – then choked. They have spent 1994 regretting this over-indulgence. The US 30-year Treasury bond yield at about 7.5 per cent is slightly below the worst but is a long way above the 5.8 per cent at which it tumbled in the latter part of 1993.

Not only has the overall yield on bonds risen but there has been a widening of differentials as investors have become more conscious of risk. Swedish, Italian and Spanish 10-year government bond yields are running at more than 400 basis points over the corresponding US Treasury bond yields.

What are the risks? Firstly that the currency will depreciate but ultimately that some country or other will get into such a mess that it will have to restructure its debt. The sort of risks that used to be confined to the third world are

now beginning to trouble first world investors. Old-fashioned fiscal discipline is right out of fashion. This week the European Commission ticked off 10 out of 12 member states for running excessive budget deficits.

In the bond market they particularly worry about elections. They were mildly impressed by Silvio Berlusconi's victory in Italy but have lost faith subsequently. Now there is an imminent poll in Sweden promising the return of the social democrats and another in Denmark, although Denmark is a long way from being on any critical list.

For obvious reasons investors do not tend to vote in a way that bond investors would like. The man in the street likes public money to be spent on health, education, social security and other benefits but hates the idea of paying matching taxes. He also flirts with nationalism and ideas of separation, a theme that has sent the Canadian bond market into a tizzy over the imminent Quebec elections that may well restore a secessionist Parti Québécois to power.

That is not to say that the PQ could ever win a referendum on separation. But the very possibility that particular regions of a troubled country might try to walk away from responsibility for a large part of the national debt is a bondholders' nightmare that may yet haunt creditors of the Belgian and Italian governments, to name but two.

Oddly, unification can be fiscally dangerous too. Germany has accepted the financial burden of its restored eastern provinces, but it would prefer not to pay up right away. Hence, most of the debt problems.

Germany is also facing elections this autumn. It seems that Helmut Kohl is likely to be returned to power, and policies will not change significantly. But those policies have become notably slack – extraordinarily so by past German standards – so that the money supply is rising strongly and government borrowing is worryingly high.

Internationally, therefore, the problems in bonds are becoming focused in

public sector debt. A few years ago there was a flurry of private sector problems, notably in US junk bonds, but such of the corporate indebtedness has been refinanced through the booming equity markets, in emerging as well as developed markets. Central government outstanding bonds rose by 12 per cent last year as the fiscal deficits ballooned.

And whereas in 1980 the share of new bond finance raised from abroad ranged from just about nil for France and Spain and up to 14 per cent for Germany and the UK, by 1993 these countries were selling 25 per cent upwards to foreigners.

In fact, Germany in recent years has often sold more than half its bonds to international investors (although foreigners have now lost their appetite, helping to explain the recent sharp rise in funding costs). The solution to the bond market's woes is clear enough – governments must cut their spending and encourage higher savings among their populations. But it is a deeply unpopular message and not one that can be writ large on election manifestos, even if the strategy will, perforce, have to be adopted eventually.

Hence the fear that the bond markets may have to choose a sacrificial victim. Some unco-operative country or other in Europe will be declared a pariah. Its debt spurned except perhaps by scavenger running vulture funds. Would it be 20 per cent interest rates force such a country to reconsider. It might simply declare a state of emergency and restructure its liabilities, say by converting its debt into 30-year bonds yielding a "fair" 5 per cent. It is not clear who would be teaching whom a lesson.

At any rate, we seem to be entering a new phase of the bond market crisis that began last February, this time centred in Europe. Investors seem to perceive that the risks have risen. Or maybe it is that the Japanese, with a trade surplus, are hogging too much of the world's liquidity and, scared by losses, are refusing to recycle it into long-term markets. But those elections won't be over a moment too soon.

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MARKETS

London

Industrial shares wilt at the margins

Andrew Bolger

Few companies are big enough to move the London market single-handed, but BTR certainly achieved that dubious distinction this week. Unexpectedly low interim profits from the industrial conglomerate helped tip the FT-SE 100 back through the 3,200 level it had been hanging on to since the summer rally.

This is partly a question of scale: BTR is one of the UK's biggest manufacturing groups, even after Thursday's sell-off cut its market value by £1.6bn to £12.2bn. Analysts estimated that the plunge in BTR's share price alone accounted for nearly 10 points of the FT-SE 100's 23.9 point decline on the day.

The main reason, however, was that a drop in BTR's profit margins confirmed a concern over manufacturing shares which has been increasingly worrying investors in recent weeks.

The growth in retail spending and consumer confidence

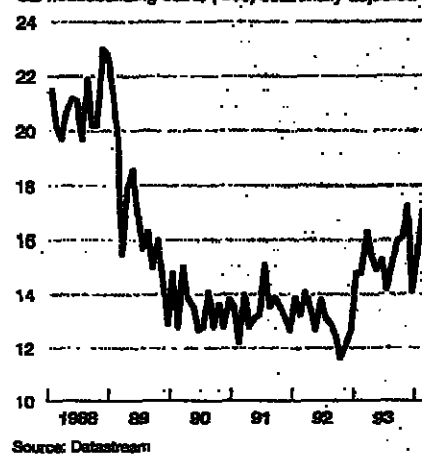
remains subdued, as demonstrated by the confirmation that last month's new car sales fell well short of the industry's hopes and the modest level of new housing starts. The Confederation of British Industry's distributive trades survey suggested that retail sales in August were only slightly up on a year ago.

A good summer helped Cadbury Schweppes, the sweets and soft drinks group, lift profits by 33 per cent. But the company, which bottles Coca-Cola, admitted that sales of Coke in J. Sainsbury stores fell by 15 per cent after the UK's largest supermarket chain launched its own-brand of cola.

Investors had responded to these pressures on the retail sector by moving out of consumer-oriented companies and into industrial manufacturers, which seemed better placed to benefit from increasing economic growth. The theory was that manufacturers, having reduced their workforces during the downturn, would be able to transform quickly any

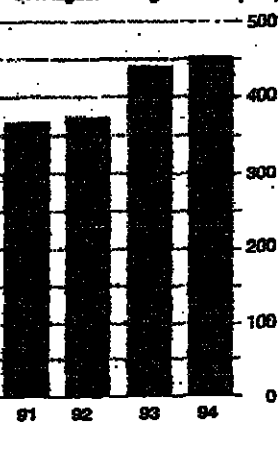
Slow climb from the trough

GB homebuilding starts ('000) seasonally adjusted



Source: Datastream

UK August car registrations ('000)



significant rise in demand into increased profitability.

BTR's results highlighted the big flaw in this argument: manufacturers are finding it difficult to pass on rising raw materials prices to their customers, who are themselves struggling to sell goods to unenthusiastic consumers.

BTR said the problem was particularly acute in the automotive industry. All the big car groups are taking a leaf out of the book of Volkswagen, where the Spanish executive Jose Ignacio Lopez de Arriortua has cut costs by putting pressure on suppliers.

Alan Jackson, BTR's chief executive, said his group would turn away some of this automotive work, rather than lower its profitability. However, the warning of margin pressure still caused dismay: BTR has a strong position in many markets, and if it cannot

resist being caught in this sort of squeeze, then weaker manufacturers will have even less chance.

There was, consequently, a large switch of funds out of manufacturing companies and into traditional safe havens such as utilities, which continue to offer high dividend payments. British Gas held its dividend, in spite of a slight drop in profits. The group confirmed that its reorganisation programme was on schedule, and that an additional 3,000 people had been made redundant in the first half, bringing the year-on-year total to 10,000 out of a target total of 25,000 over the next three to four years.

Shares in Manweb also rose after the Cheshire-based regional electricity distributor said it would cut 500 jobs, 11 per cent of its workforce. The group is the second in the sector to respond to the regulator's recent price review with job cuts and a wide-ranging restructuring. Most of the Bacs are expected to announce similar action to cut costs over the coming weeks.

Reducing the workforce seems a foolproof wheeze for making privatised monopoly suppliers more profitable, and increasing their dividend streams, but it also offers one clue as to why the recovery in consumer confidence and retail spending remains fragile.

News of the slowdown in retail sales growth, combined with a marked narrowing in Britain's visible trade deficit in June, at least raised hopes that Kenneth Clarke, the chancellor, would hold back from an early rise in interest rates. On the most optimistic view, these figures hold out the prospect

that UK recovery could be becoming more established without threatening to push inflation higher or trigger a balance of payments crisis.

S.G. Warburg, the investment bank, points out that, in spite of some disappointments this week, most companies reporting in the current interim results season have matched expectations, even if they have failed to justify the upgrades in earnings forecasts which some had looked for. Warburg says: "In consequence a period of disappointment and nervousness may be inevitable, not least while investors consider how generally applicable BTR's talk of margin pressures as raw materials rise is."

London equities were further unsettled yesterday, when news of unexpectedly high US producer prices startled the bond market with the prospect of another rise in US interest rates. Even if UK interest rates go up later rather than sooner, no one in the market doubts that an increase is coming. As the autumn progresses, we will also see increasing speculation over the contents of the November Budget - particularly regarding the government's intentions on the tax treatment of dividends.

One possible source of optimism came from BTR, which said it was on the lookout for a large acquisition. The group's borrowings have fallen below the level they were at before it paid £1.55bn in 1991 for Hawker Siddeley, the aerospace and engineering group. BTR will certainly not just consider on UK opportunities, but a well-judged large domestic deal could both cheer the market and take the group out of the dog house.

Serious Money

Investments that spell danger

Gillian O'Connor, personal finance editor

American pundit Benjamin Graham compared the stock market to a manic depressive. "Mr Market" was always ready both to buy and sell, but his share price quotes veered from the ridiculously high to the absurdly low as his excessive optimism about company prospects gave way to equally exaggerated gloom.

The chart on page 11 suggests that, if all markets have a touch of the manic depressive about them, emerging markets are an extreme case.

This patient is highly unpredictable and dangerous to know. For the average private investor, that means investing through a broadly-based fund and staying aboard for the long term. Trying to take advantage of manic depressive market swings is a mug's game.

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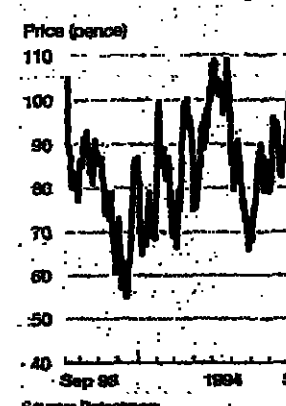
Warrants were one of investors' favourite toys last year - but toys can be dangerous. This week, the price of BTR's 93-94 warrants tumbled from 87p to 45p as bad results at the conglomerate knocked its ordinary shares back by 44p to 33p.

The fall in the price of the ordinary shares was only 11.5 per cent. So, why did the warrants nearly halve?

These particular warrants give investors the right to buy ordinary shares in BTR at 28p, but this right expires in October. The brevity of this remaining period is the main reason the warrant price responded so dramatically to the move in the underlying share price.

Add the warrant price (45p) to the subscription price (28p) and the warrant-holder can buy BTR shares for an effective 33p, close to the present share price.

BTR warrants collapse



Source: Datastream

Many people first get their warrants as an add-on to a new issue (particularly investment trust issues) or as part-payment in a bid. What they need to remember is that the riskiness of these warrants might well increase as they age. All warrants are potentially dangerous.

Short-dated warrants are the most explosive, though. Selling your warrants when they still have a couple of years left can prevent some last-minute upsets.

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Foreign income dividends (Fids) are a wet towel subject but they are getting more popular with companies. The trailblazer came from BAT in March; Coats Vye, Bunnah Castle and RTZ all joined in this week. So, it is worth understanding the rules. Fids are suitable only for companies getting a large proportion of profits from over-

seas. Some such companies used to face an abnormally high tax charge because their mainstream corporation tax liability did not suffice to cover tax paid on dividends. A Fid carries a normal 20 per cent tax credit, but tax-exempt shareholders cannot claim a rebate.

Very broadly, if a company paying a Fid pays the same net dividend as one paying an ordinary dividend, investors paying tax get the same amount, but tax-exempt shareholders get less from the Fid than they would from an ordinary dividend. Tax-exempt shareholders include large investors such as pension funds, private shareholders whose low income takes them out of the income tax net, and personal equity plan-holders.

Companies are tending to increase their net Fid dividend payments by 25 per cent in order to make good the cut in income of their tax-exempt shareholders. This attempt to level the playing field in practice tilts it in favour of tax-paying investors, for they actually benefit from the dividend increase.

Shunting your holdings around to get potential Fids is a hassle. But the discrepancy could be worth bearing in mind when deciding which companies to put into your PEP in the first place.

The sums, courtesy of BZW, are:

1. For a UK dividend received of 80p. A basic rate (20 per cent) tax-payer gets 80p, a higher rate (40 per cent) tax-payer gets 80p, and a PEP-holder gets 100p.

2. For a Fid received of 80p. A basic rate tax-payer gets 80p, a higher rate tax-payer gets 80p, and a PEP-holder gets 80p.

3. If the company pays a Fid but increases it to 100p. A basic rate tax-payer gets 80p, a higher rate tax-payer gets 75p, and a PEP-holder gets 100p.

Apologies for the headache.

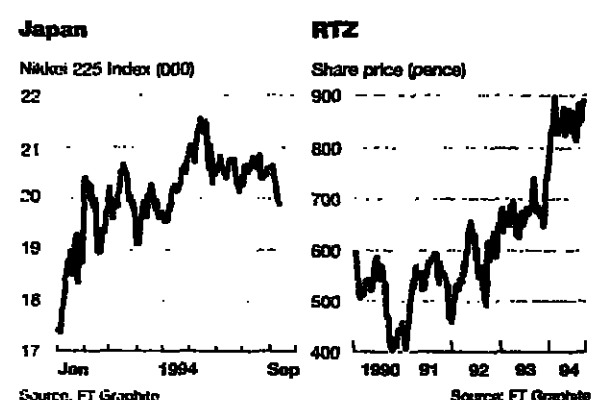
HIGHLIGHTS OF THE WEEK

	Price	Change	1994	1994	
	Ytd	on week	High	Low	
FT-SE 100 Index	3139.3	-83.4	3320.3	2876.6	Results disappoint
FT-SE Mid 250 Index	3736.0	-45.3	4152.8	3363.4	Following the blue chips
Arjo Wiggins	276	+11	316	237	Well-received figures
BTR	329	-54.4	401	329	Poor figures/cautious statement
Bowater	487	+20	524	408	Boost from figures
Cable & Wireless	419	-36	543	394	Cautious downgrade
Cadbury Schweppes	457	-27	545	407	Profit-taking after results
Enterprise Oil	409	+20	486	379	Overvalued/better than expected figures
MEPC	435	-33	582	408	Broker re-evaluations
Manweb	647	+24	871	635	Cost-cutting/buys in shares
Medeva	146	+17	187	120	Profits above forecasts
NetWest Bank	509	+15	622	421	Broker 'buy' recommendations
Schroders	1533	+55	1540	1050	Re-joins FT-SE 100
South Wales Elect	819	+32	840	591	Buy in own shares
Standard Chartered	271	+18	359.4	223	Lehman Bros positive

AT A GLANCE

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Tokyo market hits oversupply snags

The Tokyo stock exchange was hit this week by the listing of Japan Telecom, the country's third largest telecommunications company. Rather than boosting the market as had been expected, the flotation created an oversupply problem, and shares in the newly-listed company fell, pulling other sectors down too. On Thursday, the Nikkei index fell through the 20,000 level for the first time in four months.

Traders are also worried that another big flotation next month - Japan Tobacco - could further depress the market. The Tokyo market had a good first half of this year, helped by cash inflows from foreign investors, but has stagnated in the 20,000 to 21,000 band since mid-summer.

Boost in demand for metals

The encouraging growth in world economic activity is boosting demand for metals such as copper, aluminium, lead and zinc, and minerals such as coal and titanium dioxide - which gives the whiteness to paint, some plastics and tiles. All these are produced by RTZ, the world's biggest mining company, which this week pleased the market by reporting interim profits at the top end of analysts' expectations: a 30 per cent increase to £242m in earnings adjusted to reflect the underlying business performance by excluding exceptional items. The group, usually a conservative forecaster, also said the global economic outlook had not looked as favourable since the 1980s.

Free guide on stockbrokers

If you are thinking of using a stockbroker for the first time, private client stockbroker Gerrard Vivian Gray has produced a simple guide to choosing one. It covers areas such as location, making a short-list, regulation, fees and so on. For a free copy, write to Tracy Preston at Gerrard Vivian Gray, Burne House, 88 High Holborn, London WC1V 6LS.

Smaller companies unchanged

Smaller company shares ended the week virtually unchanged. The Hoare Govett Smaller Companies Index (capital gains version) slipped less than one point from 1715.16 to 1714.88 over the week to September 8.

Next week's family finance

Do you believe that you have suffered as a result of poor financial advice? Next week we guide you through the process of making a complaint against your financial adviser.

Wall Street

Inflation sours the mood at bulls' party

Put the bubbly back on ice, deflate the balloons and cancel the catering: it looks as if Wall Street's late-summer/early-autumn market rally may never materialise.

Two weeks ago, share prices began an ascent which took the Dow Jones Industrial Average up from around 3,750 to over 3,900 in eight trading days. Although stocks subsequently stumbled, they rebounded nicely this Thursday as the Dow again climbed above 3,900.

With mutual funds reporting rising cash inflows, bond prices seemingly stable, and Federal Reserve monetary policy possibly on hold until the end of the year, there was a spring in the step of investors and traders not seen since early February.

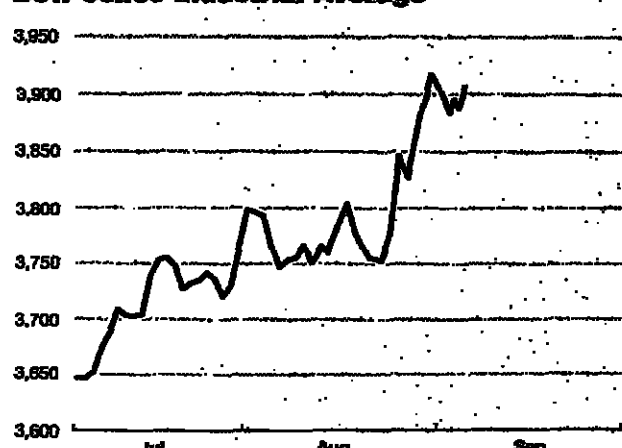
Now, however, any optimistic thoughts Wall Street might have had about a sustained rally in share prices may have to be shelved. Yesterday, following disturbing inflation news, bond prices plummeted - pushing the yield on the benchmark 30-year government bond up to 7.68 per cent - and stocks dropped sharply.

In the first half-hour of trading, the Dow fell more than 40 points, and although the average recovered slightly later in the morning, the damage to the market's psyche had been done.

The cause of the stock and bond markets' losses was the producer prices index, which the Labor department said yesterday had climbed 0.6 per cent in August. That was the biggest increase in the PPI in four years, and well above the 0.4 per cent forecast by most analysts. Just as troubling, the "core" PPI (a measure which excludes the volatile food and energy prices) rose by 0.4 per cent, again more than expected.

For an inflation-sensitive bond market, the August PPI - which put the annual rate of producer price inflation at 2.9 per cent - was too much to bear. Inflation has remained relatively low throughout this year, and some analysts had expressed confidence that the Fed's five policy tightenings would ensure it remained that way, but fixed-income investors have been unable to shake their concern that at some point, economic growth would

Dow Jones Industrial Average



Source: FT Graphite

feed through into higher prices. Consequently, they have been ready to sell bonds at the first hint of rising inflation.

To the inflation-fixated, yesterday's PPI report was more than just a hint. As James Solloway, chief analyst at Argus Research in New York, put it: "This should again raise fears that the Fed has not done enough to nip inflation in the

bud. Inflation is not dead by any stretch of the imagination."

The breakdown of the PPI data was particularly disturbing, as it showed rising prices across a range of goods. Coffee prices soared 12 per cent, tobacco climbed 1.4 per cent, and food prices rose 0.7 per cent. Analysts can explain away the occasional jump in a

broad group of prices are rising, it becomes more difficult to ignore.

David Jones, an economist at Ambery Langston, said yesterday that inflation was "certainly building up in the goods production chain. We saw it a year or so ago in commodities and now it's worked its way down to the finished goods level, and we still see inflation in the pipeline at the crude and intermediate goods level."

What this means for the stock market is that investors cannot relax their guard against further increases in short-term and long-term interest rates. If next week's August consumer prices index is anything like as worrisome as the PPI was, then bond prices could tumble further, and the Fed could quickly be forced to break its current holding pattern of monetary policy. That would spell trouble for share prices.

There is a possibility, however, that the Fed will not make another move on interest rates soon because the increase in the PPI may have been exactly what it was expecting.

The central bank has raised short-term rates five times in the past six months in what has become a sustained round of policy tightening. Although it drew fire for its actions - most notably from politicians worried the rate increases will reverse the recovery which began in 1992 - the Fed may have known, or at least suspected, all along that the economy was growing too fast for inflation to remain dormant forever.

Given that interest rate increases do not have an immediate effect upon economic growth - the time-lag is variously judged to be between six to nine months, depending upon the vigour of the economy - the Fed may well be untroubled by yesterday's disturbing PPI data, secure in the knowledge that this year's policy tightenings will soon begin to take its toll on the economy and inflation.

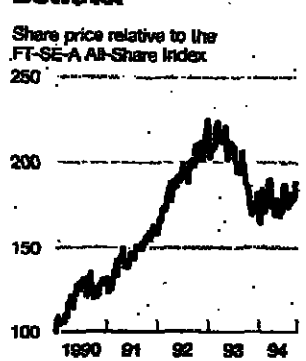
Patrick Harverson

Monday	closed
Tuesday	3898.70 + 13.12
Wednesday	3898.25 - 12.45
Thursday	3908.46 + 22.21
Friday	

Bottom Line

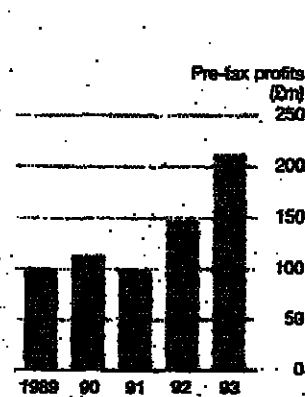
Bowater's supermodel image

Bowater



Source: FT Graphite

strengths in three sophisticated, value-added sectors of packaging and printing - food and drink, toiletries and cosmetics, and healthcare and pharmaceuticals, as well as in the coated products sector. It has operations in North America, Europe and Austral-



asia. The restructuring began in 1987 with the acquisition of Rexham Corporation, the custom coatings and laminates group, followed in 1989 by Release Technologies, the release films and papers manufacturer. In 1992, Bowater bought

DRG, a food and healthcare packaging supplier, and Cope Allman, a cosmetics and pharmaceuticals packaging group. The buying spree was completed last year, with Specialty Coatings International, the US coated products group.

The most recent acquisitions were funded by two successful rights issues, allowing Bowater to keep borrowings down - gearing is a moderate 43 per cent.

Now, David Lyon says, Bowater is entering a new phase. Restructuring is over, and the group plans to expand through organic growth, with some "bolt-on" acquisitions to strengthen its position in certain markets.

It has formed a team of "free spirits", roving senior executives who are experts in particular technologies, to spot technological developments in one part of the group that could be

used in other parts, and merit investment and joint development.

Capital spending this year is projected at a record \$150m. One important growth area is healthcare packaging, with Bowater building a new \$30m factory in Bristol and trying to establish joint ventures in South America, India and Poland.

Bowater also wants to expand its share of the beauty packaging market outside Europe, and parts of its coated products operations into the Americas, Europe and East Asia. This week's results prompted analysts to upgrade their profits forecasts for the full year from about \$225m to at least \$230m.

That puts Bowater on a prospective price/earnings ratio of 13.8 - only a small premium to the packaging sector. "With Bowater's growth prospects, the shares are looking quite cheap," says David McCrossan, packaging analyst at Kleinwort Benson. For investors, that could make it almost as attractive as Cindy Crawford.

Neil Buckley

FINANCE AND THE FAMILY

A success story of swings and roundabouts

**Scheherazade
Daneshkhu and
Bethan Hutton
on the world's
emerging markets**

Emerging markets were the success story of 1993. They not only captured the investor's imagination with their exoticism; they also delivered in terms of performance. The emerging markets index of the International Finance Corporation, a subsidiary of the World Bank, doubled between the beginning of 1993 and 1994.

This year, though, investors also got a taste of the volatility which is a feature of these markets – the index fell by 14 per cent in the three months between February and May. It has, however, bounced back and now stands 8 per cent higher than at the start of the year.

Rachael Maunders, of Govett Emerging Markets, says: "Certain markets have bounced back more sharply than others. Some may only have 5 per cent more to go, but others like Argentina, Taiwan and Korea have more scope – possibly 15 per cent or more."

Why invest?
A portfolio of emerging markets is not an alternative to investment in more mature markets but, as emerging markets are expected to have far higher growth rates than the OECD countries, a holding is essential for a well-spread portfolio.

Emerging markets are more volatile than others, as the chart shows. But Baring's (which also has an emerging markets index) has figures to show that not only will a holding of between 10 and 20 per cent, added to a portfolio of FT-All-Share stocks, increase the return to the investor – it will actually reduce risk as well.

This is because emerging markets tend to behave very differently from each other – when one falls 10 per cent in a week, another will probably be rising just as fast or faster to compensate. Last year, when all the markets seemed to be heading in the same direction – upwards – there were worries that the lack of correlation was disappearing. This year, they have returned to more varied form. Brazil is up 20 per cent, Turkey is down by two-thirds.

Which market?
Emerging markets tend to be categorised according to three main



The Hatchery

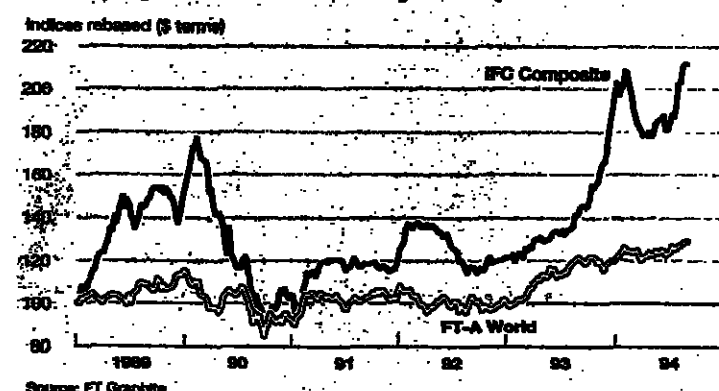
Emerging market funds: investment trusts				
Fund name	Size (£m)	1 yr	3 yrs	
Beta Global emerging markets	62.3	32.3	82.2	
Flemington emerging markets	165.7	20.6	-	
For & Co emerging markets	125.7	51.6	180.4	
Govett emerging markets	43.1	17.0	-	
Kleinwort emerging markets	34.9	27.3	-	
Templeton emerging markets	343.9	18.8	154.2	
Average, emerging markets		22.4	110.4	
Average int growth		18.9	68.4	

The table shows the percentage change of global emerging market investment trusts over one and three years to August 1994. Funds without a one-year performance record and single country or regional funds have been excluded. All figures are in sterling. Source: Morningstar.

Emerging market funds: unit trusts				
Fund name	Size (£m)	1 yr	3 yrs	
City of London emerging markets	43.2	27.8	-	
Flemington emerging markets	25.9	32.0	-	
Gartmore emerging markets	35.1	17.9	59.3	
Invesco emerging markets	50.2	26.5	92.8	
Martin Currie emerging markets	80.2	23.5	-	
Prosperity emerging markets	33.9	22.0	111.8	
Stewart & Co emerging markets	28.8	30.4	-	
Thornhill emerging markets	4.6	-4.0	5.5	
Average emerging markets		23.2	67.8	
Average int growth		7.7	42.0	

The table shows the percentage change of global emerging market unit trusts in the international growth sector over one and three years to August 1994. Funds without a one-year performance record have been excluded. All figures are in sterling. Source: Morningstar.

Emerging markets: how they have performed



Czech Republic. "We think there is a cyclical reason to be exposed there because of the leverage to the European recovery, but also for the long-term reason that those economies are starting to grow under their own steam." Even so, eastern Europe accounts for less than 5 per cent of the fund because the markets are still so small.

Arnav Banerji, of Foreign & Colonial, has high hopes for some of the larger markets, particularly Brazil, Mexico, India and South Korea, but he is also keeping a close eye on a few of the relative newcomers such as Peru, Bangladesh and Morocco. "Bangladesh is about the best-performing market in the world this year," Banerji says. The problem for would-be investors is that it is tiny, with a market capitalisation of about \$1bn.

How do you invest?
Direct investment in emerging markets is only for the professionals – and even they can find it taxing at times, since these markets tend to be relatively illiquid.

The simplest way for UK-based investors to gain exposure is through a unit or investment trust. Since unit trusts are open-ended, the fund manager faces the problem of having to sell holdings quickly to meet redemptions if panic sets in and investors want to liquidate their holdings.

Investment trusts, which are closed-end funds, do not have this problem but, instead, might fall to a deep discount if the fund or the countries in which it invests become unpopular.

A global fund is less risky than a regional fund because of its wider spread; single-country funds are likely to be more volatile than others. Some global funds are more diversified than others. If a manager takes a big bet on an individual market, and invests a quarter of

his fund in it, the fund should outperform its peers if the bet pays off. But if, rather than rising, the market collapses, the fund could lose a large chunk of its assets.

Kenneth King, head of emerging markets at Kleinwort Benson, imposes strict asset allocation rules in order to reduce risk. No more than 10 per cent of the fund is ever invested in any single market.

If a market has risen more than 50 per cent over a year, the maximum holding is cut to 7.5 per cent. If a market has halved in 12 months, the fund must have 2.5 per cent in it.

This approach means that the Kleinwort fund is never affected too badly by the swings in individual markets, which can be extreme: since 1987, Turkey has been the world's best-performing stock market for three one-year periods – but has also been the worst performer three times.

Funds investing solely in emerging markets are relatively recent; few have a track record even of three years. The tables list the performance of those that have more than a one-year record.

A number of funds have been launched in the past year. Portfolio's Fund of Emerging Markets is a unit trust investing in closed-end funds. It picks the funds according to a combination of asset allocation, management quality, size of discount and redemption terms.

City of London Emerging Markets – a unit trust which also invests in closed-end funds – this year acquired a twin in the form of the Emerging Markets Country Investment Trust. Another investment trust too new to be included in the table is Abrutyn's Emerging Economies fund, which is the second best-performing in the sector over six months.

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*Source: All figures – Micropal, offer to bid, net income reinvested (gross income in the case of Prolific UK Equity Income Fund) to 1st August, 1994. Over 5 years, Prolific High Income Unit Trust (launched 2.9.1974) is 29th out of 94 and Prolific Extra Income Unit Trust (launched 26.10.1984) is 19th out of 30. Prolific UK Equity Income Fund was launched on 16.12.1991.

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FINANCE AND THE FAMILY

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Sector	Shares	Value	No of directors
SALES				
Brandon Hire	BCon	39,000	31,200	1
Eurocamp	L&H	50,000	140,000	1
Perpetual	OffF	7,000	82,950	1
Polar	Dist	50,000	137,500	1
Rank Org	L&H	22,000	69,280	1
Martins Thompson	Brew	116,500	347,170	2*
PURCHASES				
Aleph	HCod	80,000	200,000	1
Barr & WAT	L&H	42,000	228,000	4
Edipole Blinds	BMSM	650,000	62,000	3
GEO	ESSE	10,000	31,000	1
Granada	L&H	2,000	10,000	1
Hartstone	Text	386,427	57,864	4
London Int Mkt	Insu	33,323	34,323	1
Northumbrian Fds	FdMa	330,000	36,300	3
Quadrant Group	L&H	10,000	3,100	1

Values expressed in £000s. This list contains all transactions, including the exercise of options (if 100% subsequently sold, with a value over £10,000, information released by the Stock Exchange August 30 - September 2 1994. Source: Directors Ltd, The Inside Track, Edinburgh.

Directors' transactions

Directors of the Rank Organisation, the leisure giant, are not among the most active traders on the market but James Daly, director of the television and film division, has sold almost two-thirds of his stake at a price of 49p.

Brandon Hire rents out all manner of tools and equipment, ranging from power tools to marquees. The share price has been an outstanding performer over the past year, growing from about 28p some 18 months ago to trade now around 77p.

Brian Nathan, the chairman, is one of the largest shareholders with a stake of more than 14 per cent. His recent sale of

39,000 shares at 80p must represent a little profit taking. Keith Carnelly, the chairman and chief executive of Polar, an electronics outfit, is another director with a considerable stake in his company. His recent sale of 50,000 shares still leaves him with a holding of more than 3m.

By the end of August, we had recorded a ratio of 3.5 buys to every sell over the course of the month.

The figure for July was 4.2 buys for every sale, suggesting there has been some slow-down in directors' enthusiasm for the market.

Vivien MacDonald, The Inside Track

Thumbs up for disclosure

More insurers are accepting the new rules, says Alison Smith

There are signs that life companies are beginning to accept, however reluctantly, that they should introduce the new disclosure rules for the financial services industry before January 1 - the mandatory deadline for the first tranche of changes. All of them must be in place by June.

The rules, which require sales agents to provide customers with more information about products and charges, have been resisted fiercely by the industry but are now seen as inevitable.

The TSB group has just become the first mass market life insurer to announce that it will introduce the full system from November 1. Until then, Equitable Life had been the only life insurer to break ranks and implement the rules ahead of deadline.

Now Scottish Widows, a mutual life insurer, plans to join in. Over the autumn, it will introduce disclosure for one product range at a time. The first, probably from October, is likely to be a mortgage endowment policy with critical illness cover.

The TSB announcement is

particularly significant because it is accompanied by other changes which also will affect customers who go to the bank for financial services. First, financial services staff who have been paid commission only will get a mix of commission and salary. John Elbourne, TSB's head of retail banking, says this shift will be accompanied by an integration of the bank and financial services staff into a single sales force divided into four tiers.

Staff at the first level will be paid a basic salary of £9,000 to £9,500 while those at the most highly-qualified level - who will be able to advise on anything from personal pensions to offshore funds - will get a basic £17,000 to £25,000. Only staff at the top two levels will be authorised to sell financial services products.

Beyond the salaries, there will be bonuses for branches which meet certain customer service standards and attain certain sales levels. Individual bonuses also will be paid for staff who sell more than a certain figure over a quarter.

Although payment by commission has been attacked widely as encouraging sales of inappropriate products, Elbourne denies that customers would have been sold unsuitable policies by staff because of the existing pay arrangements. He says the alteration in pay structures will not make much difference to the figures provided to customers in terms of the incentive to sell and the charges which must be disclosed.

In a further shift, TSB is to introduce new product ranges, also to coincide with the start of its financial year at the beginning of November. The emphasis will be on making them simple and straightforward, and one possibility would be a move towards "unbundling" - the separation into two distinct, but complementary, products of the protection and investment elements that make up packaged life insurance products.

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Stock	Coupon (gross %)	Minimum (£)	Issue date	Issue price (pence)	Price* (pence)	Yield* (gross, %)
Birmingham Midshires	9.38	1,000	16/12/93	100.17	86.75	10.80
Bradford & Bingley	13.00	10,000	30/9/91	100.20	122.75	10.59
Bradford & Bingley	11.63	10,000	29/8/92	100.13	111.75	10.40
Bristol & West	13.38	1,000	11/12/91	101.79	124.50	10.74
Bristol & West	13.38	1,000	31/10/91	100.34	124.50	10.74
Britannia (1st)	13.00	1,000	13/1/92	100.42	121.25	10.72
Britannia (2nd)	13.00	1,000	8/10/92	107.13	121.25	10.72
Cheltenham & Gloucs	11.75	50,000	21/10/92	100.96	113.75	10.33
Coventry	12.13	1,000	28/5/92	100.75	113.00	10.72
First National	11.75	10,000	4/5/93	100.25	99.25	11.84
Halifax	12.00	50,000	23/1/92	100.28	115.75	10.37
Halifax	8.75	50,000	7/9/93	100.62	85.50	10.23
Leeds Permanent	13.63	50,000	3/6/91	100.00	130.25	10.46
Leeds & Holbeck	13.38	1,000	31/3/92	100.23	123.00	10.87
Newcastle	12.63	1,000	8/9/92	100.45	115.25	10.95
Newcastle	10.75	1,000	15/6/93	100.32	99.13	10.85
North of England	12.63	1,000	23/6/92	100.14	117.25	10.77
Stilton	12.86	1,000	27/2/92	100.48	116.50	10.87

Sources: House Overst, *Opening purchase prices as at September 6; excludes accrued interest.

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FINANCIAL TIMES

FINANCE AND THE FAMILY

Inside the world of the money hunters

If divorce looks inevitable, some people call for their lawyers first – and a forensic accountant next. Barbara Ellis examines their role

Lawyers are usually the first professionals to be called in by a divorcing couple but, in some instances, forensic accountants – who carry out specialised work for court cases – may be consulted almost as quickly. Indeed, clients – particularly those involved in divorce actions – often put lawyers under pressure to bring in a forensic accountant, according to Pauline Walker, a family law specialist with London solicitor Baileys, Shaw & Gillett.

"It was awfully fashionable in the late '80s," she says, "but not so much now, though. This is partly because the courts have come down heavily on

spending large sums of money on investigations." Walker adds that most wives and husbands with business interests will always accuse the other partner of having money secretly tucked away.

She cautions, however, "Little chunks of £3,000 or £4,000 don't matter. With forensic accountants on the same rates as central London lawyers, you need to be finding £50,000 or £100,000 to make an investigation worthwhile."

Accountants see their main work in divorce cases as injecting some detached financial objectivity into what can be an emotional minefield.

In practical terms, this usually means running a check on the affidavit of means sworn

by each party in the divorce (these are used as the basis of the financial settlement).

Chartered accountant Peter Lobbenberg, a specialist in the forensic side, says about 75 per cent of the divorce cases with which he deals involve women tracking down a husband's money, and 25 per cent men defending themselves – "probably because a man usually has his own accountant and financial set-up".

Among the typical questions the accountant is asked, Lobbenberg cites:

- How much is my husband worth?
- Where has he hidden it?
- How can he raise the money?
- How much does my wife really need?

Checking past life-style against declared income is routine. Lobbenberg says it is probably easier for a sole trader or individual to hide assets than for someone owning a company, but easiest for someone in a cash business.

"Sometimes," he adds, "part of my responsibility is having to tell over-optimistic clients either that the crock of gold at

the end of the rainbow doesn't exist or that the chances of finding it won't justify the cost."

Lobbenberg charges £200 an hour plus value added tax, and says his cases are typically in the £1,000 to £3,000 fee range (although some end up in five figures while others are much lower).

In common with other accountants in this field, he has a computer programme and a standard charge of £400 plus VAT for so-called Duxbury calculations. These are based on the 1987 case of Duxbury v Duxbury when the former wife of a millionaire was awarded sufficient income to satisfy her reasonable requirements, but also take into account the amount of income to be received each year, inflation, tax rates and allowances.

Many City accountants charge around £200 an hour for their services. At Touche Ross, Mike Barford estimates that divorce makes up about 5 or 10 per cent of the work of the forensic department. He says many divorce cases would

involve total accounting costs of between £1,000 and £5,000, although the bill would be greater for a case that was large or complicated.

Touche Ross charges £300 for its Duxbury programme, but Barford points out that this is used less often now that lawyers have access to handbooks detailing the same information.

Barford says divorce candidates sometimes overlook the importance of taking care over the affidavit of means. "People are feeling very bitter and emotional and, if one party misses things out, there is often a tendency for the other to assume it is deliberate."

Another aspect of divorce cases often misunderstood is what a court can award. "Matrimonial cases are different from other litigation because the judge can split only the assets there are," says Barford. "A judge will never say the husband has behaved appallingly so he has to find the money."

Costs run up by each side will deplete the amount available to be split, Barford recalls a case where one party was convinced that the other was

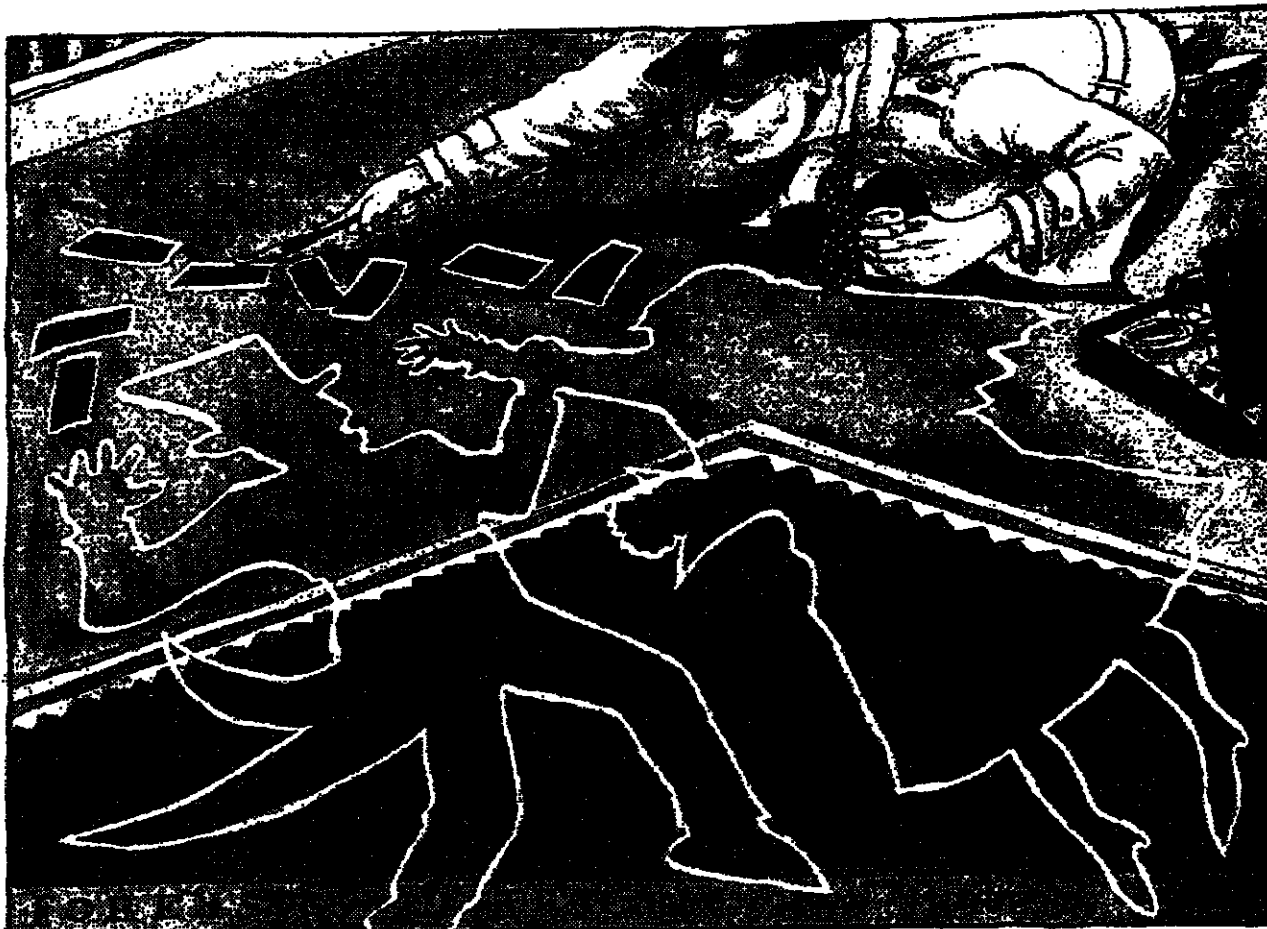
extremely wealthy. "By the time it was discovered he was not, over half the joint assets had been spent on the investigation."

Barford adds: "If the husband is hugely wealthy, the award to the wife will broadly be based on her life-style. If she has been used to spending £100,000 and that is well within his capacity, then, broadly speaking, that is what she will get."

"If he declares £10m and the wife says he is lying and that he has £20m, it doesn't matter. If there are more assets than are needed to pay the wife, you don't need to investigate."

On the other hand, Barford stresses there is no point in spending money to prove that someone is used to a certain life-style if there are no assets left to maintain it.

As he explains: "A typical situation might be the wife of a Lloyd's Name who has led an expensive life-style and might feel entitled to it. But circumstances have changed. He is about to go bust and there is simply not the money available. You can only have what there is."



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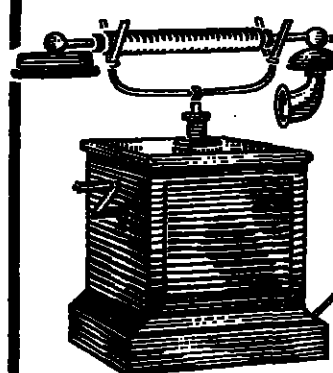
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FINANCE AND THE FAMILY

Should we insure for old age?

More people are living longer. Bethan Hutton explores the case for compulsory cover

Insurance to pay for the cost of care in old age could become compulsory, according to a *Crisis in Care?* report published this week by the Family Policy Studies Centre and the Centre for Policy on Ageing.

It says longer life spans will lead to much larger numbers of very old people, a possible 40 per cent increase in dementia cases by the year 2020, and a much smaller proportion of working people to pay for the older generation's care.

According to the report, traditional patterns of care are changing, too. At the moment, family members - mainly middle-aged female relatives - provide more than two-thirds of care for the elderly.

Already, though, the number of

women aged 45-69 for each person over 70 in Europe has fallen from 2.4 in 1980 to 1.6 now, and will drop much further. Higher divorce rates and more working women also will reduce the number of potential carers.

Perhaps surprisingly, the report found that an increasing number of elderly people expressed a preference for professional rather than family care. But it notes: "Despite the evidence that the family may not be there to care for Europe's ageing population, member states are increasingly stressing family care over state care."

One possible exception is Germany, which recently introduced a compulsory insurance scheme under which employers and staff share a 1 per cent tax on gross earnings to pay for long-term care. Francis McGlone, one of

the report's authors, says: "Germany's new legislation... is something we should consider. It would not only meet the financial cost of long-term care, but would also help to ensure that older people no longer became dependent on their families or means-tested benefits."

In the UK, the state health-care system no longer covers care of the elderly automatically. Anyone with assets of more than £8,000 has to meet the full cost of their own care. And although private insurance to cover long-term care has been available in the UK for several years, only a few thousand policies have been sold.

The cost can be a deterrent, particularly as the people most likely to consider long-term care insurance are around retirement age. For a man aged 65, wanting cover for nursing home fees

of £300 a week, PPP Lifetime charges £117 a month for its most comprehensive policy. Alternatively, it would cost another £39 for a top-up policy to cover a £100 weekly short-fall between pension income and nursing home fees.

Unlike private medical insurance, there are no automatic age-related increases once the policy is in force. But premiums usually can be reviewed at any time if the insurance company finds claim levels are greater than it expected.

PPP has just introduced a guarantee promising that premium and benefit levels will not be altered for the first 10 years, no matter what the claims experience turns out to be. Commercial Union, the other main provider of long-term care insurance, offers a five-year guarantee.

An unexpected bill for extra tax

I recently sold some insurance bonds (a mix of managed and international units) bought some years ago for a useful capital gain.

I declared this gain on my tax return but, in his wisdom, my accountant decided that the sale should be declared under "all other income or profits" as a "chargeable event".

The Inland Revenue has now added the full amount of the profit realised on the sale to my taxable income and requested payment at the 40 per cent rate.

As a result, I am now faced with an addition to my tax approaching £2,000 instead of enjoying what I expected to be a tax-free gain.

The bonds - from which I have drawn no income - are, in effect, an investment in unit trusts and, to my mind, should

be treated as such for capital gains tax purposes.

Are my accountant and the Revenue correct, or do I have a case?

■ When you say that you "sold some insurance bonds", we take it that what actually happened was that you surrendered a unit-linked, single-premium life assurance policy, or perhaps more than one such policy.

That being so (and assuming that no top-slicing relief is available under section 550 of the Income and Corporation Taxes Act 1983, which we cannot tell from the limited data), the gain will be taxable at 15 per cent by virtue of section 547 (5) of the Taxes Act.

Only your accountant has enough precise background facts, figures and dates to say exactly what your tax bill should be.

Q&A BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

When life is a lottery

I have several thousand pounds worth of National Savings premium bonds as well as a few hundred pounds worth of prize bonds issued by the Prize Bond company of Dublin.

I like the idea of having a cash deposit linked to a regular, lottery-like chance of winning large cash prizes - and tax-free at that.

Are there any other countries with reliable economies and currencies (such as Germany, the US, Canada, Australia and Switzerland) that issue similar "lottery bonds"?

■ As far as we are aware, the National Savings premium bonds in the UK and the prize bonds issued by the Republic of Ireland are the only type of deposit schemes which link you to a regular possibility of receiving tax-free cash prizes.

Of course, simple lotteries are well established in many countries and, indeed, one is soon to begin in the United Kingdom. They depend, however, on buying tickets and your stake is lost rather than

deposited. (Answer by Murray Johnstone Personal Asset Management)

Anyone here seen Alice?

I have found some share certificates in the name of Alice Edwards (Holdings) Ltd. Does this company still exist or has it been liquidated?

■ It changed its name to Brigray Group Ltd on June 30 1989. Brigray was wound up in May 1981 and the Inland Revenue approved the negligible value of the ordinary shares during the 1981/82 fiscal year.

The Professionals: The minimum portfolio investment column in the Facile on page V last week referred to a portfolio of equities.

Short and sweet

Because of recent speculation about possible base rate increases, investors have become wary of buying into long-term, fixed-rate products. Building societies have responded by offering much more attractive short-term investments.

Hallifax raised its Guaranteed Reserve fixed rates by half a percentage point on average last week. New three-year fixed products were introduced this week by Northern Rock, Dunfermline and Coventry.

Dunfermline has launched a three-year Caledonia bond to

coincide with its move to a new head office. It pays 8 per cent gross on £5,000 and above. Northern Rock, which issued its new three-year fixed account earlier in the week at 8.75 per cent from £2,500, has been leapfrogged by Coventry, which is paying 8.80 per cent on £5,000 with a monthly option at 8.45 per cent.

Recalibrator bonds continue to flourish. Barclays has launched its own version, with rates starting at 6 per cent for the first year and rising to 12 in the fifth. Minimum investment is £2,000.

The market leader, however,

is the new Step-Up bond from Portman. On a minimum balance of only £500, it pays yearly interest of 7 per cent in year one, rising to 8 in year two, 9 in year three, 10 in year four and 12 in year five.

Halifax International in Jersey has increased all rates on its Fixed Rate International account by up to 1.1 percentage points, making it the offshore market leader in terms of one to five years. The highest rate now available is 8.7 per cent annually for five years on £50,000.

Christine Bayliss, Moneyfacts

HIGHEST RATES FOR YOUR MONEY

Account	Telephone	Notice/term	Minimum deposit	Rate %	Int. paid
INSTANT ACCESS A/cs					
Portman BS	Instant Access	0202 292444	Instant	£500	5.00% Y/y
Bradford & Bingley BS	Direct Premium	0345 248248	Post	£1,000	5.40% Y/y
Shelton BS	3 High Street	0756 700511	Instant	£2,000	6.10% Y/y
Nottingham BS	Post Direct	0602 461444	Post	£25,000	6.50% Y/y

NOTICE A/cs and BONDS					
Bradford & Bingley BS	Direct Notice	0345 248248	30 Day (P)	£1,000	6.00% Y/y
Northern Rock BS	Post	0590 830000	60 Day (P)	£10,000	6.60% Y/y
Universal BS	1 Yr High Option	091 232 0973	90 Day	£10,000	6.80% Y/y
Coventry BS	Fixed Rate Income	0800 126125	31.8.97	£5,000	8.80% F Y/y

MONTHLY INTEREST					
Britannia BS	Capital Trust	0536 361741	Post	£2,000	5.37% M/y
Bradford & Bingley BS	Direct Notice	0345 248248	30 Day (P)	£10,000	6.30% M/y
Universal BS	1 Yr High Option	091 232 0973	90 Day	£1,000	5.96% M/y
Coventry BS	Fixed Rate Income	0800 126125	31.8.97	£5,000	8.45% F M/y

TESSAs (Tax Free)					
Market Harborough BS		0858 463244	5 Year	£3,000	7.50% Y/y
Hinckley & Rugby BS		0455 251234	5 Year	£3,000A	7.35% Y/y
Holmesdale BS		0737 245716	5 Year	£1	7.15% Y/y
Nottingham BS		0602 461444	5 Year	£1	7.10% Y/y

HIGH INTEREST CHEQUE A/cs (Gross)					
Wolverhampton BS	Current	0800 400800	Instant	£500	3.50% Y/y
Halifax BS	Asset Reserve	0422 335333	Instant	£5,000	4.50% Y/y
Chetopa BS	Classic Postal	0800 717515	Instant	£2,500	5.75% Y/y
				£25,000	6.00% Y/y

OFFSHORE ACCOUNTS (Gross)					
Woolwich Guernsey Ltd	International	0481 715735	Instant	£500	6.75% Y/y
Nationwide Overseas Ltd	O/Sess 30 Day	0624 905099	90 Day	£20,000	6.00% Y/y
Yorkshire Guernsey Ltd	O/Sess 90 Day	0481 710150	180 Day	£50,000	7.00% Y/y
Halifax BS	Fixed Rate	0534 58840	5 Year	£10,000	8.60% F Y/y

GUARANTEED INCOME BONDS (Net)					
Liberty Life		051 440 8210	1 Year	£2,000	5.20% F Y/y
AGU Life		081 880 7172	2 Year	£50,000	6.10% F Y/y
Prudential Life		0444 458721	3 Year	£1,000	6.80% F Y/y
General Portfolio		0279 462839	4 Year	£50,000	7.30% F Y/y
EuroLife		071 454 0105	5 Year	£10,000	7.80% F Y/y

NATIONAL SAVINGS A/cs & BONDS (Gross)					
Investment A/c			1 Month	£20	5.25% G Y/y
Income Bonds			3 Month	£2,000	6.50% H M/y
Capital Bonds H			5 Year	£100	7.25% F M/y
First Option Bond			12 Month	£1,000	6.00% F Y/y
Pensioners GIB			5 Year	£500	7.00% F M/y

NAT SAVINGS CERTIFICATES (Tax Free)					
41st Issue			5 Year	£100	5.40% F M/y
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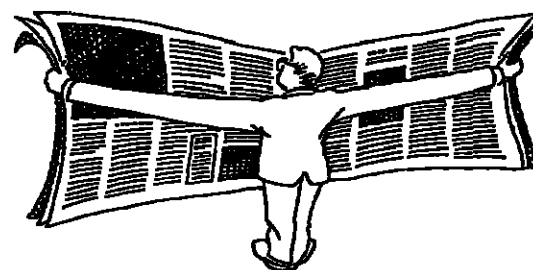
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FASHION

Suit yourself carefully in your first job

A sober working environment is simply no place for making fashion statements, says Heath Brown

You have landed your first job. Day one in the office looms.

Your wardrobe seems to consist of little more than jeans and sweatshirts. What on earth do you do?

No matter how fashionable you may be in your private life the sad truth is that if you are starting work in a sober city or business environment it is not a time for fashion statements.

Greys, blacks and blues set the tone in business and conservative suits rule the day. No, this is not some youthful homage to prime minister John Major but the realities of the need for no-fuss, simple clothing on the first rung of the career ladder. Simplicity is the key and a crisp, efficient appearance will compensate for fashion fripperies and style statements.

"If you're serious about your first job you do not wear clothes that will attract too much attention," says Stephen Ibrahim, men's tailoring expert at Simpsons of Piccadilly.

Flashy shows of individuality would create the wrong impression to those higher up as well as to your peers and perhaps promote resentment.

Few companies issue strict guidelines but most expect an unwritten dress code to be followed.

The more successful you become the more flamboyant and noticeable your clothes are allowed to be. Bold chalk stripes and vivid pink shirts are not for the new boy on the block. Expensive Chanel earrings and flame-red suits are reserved for high-flying women who have made it already.

The golden rule is: do not dress above your station. Brassy shows of aspiration are considered vulgar (although the older hands are excused). Your work must seem to come first, not your image.

Even Lowri Turner, an outspoken television fashion critic, advocates the subdued look for that first, probationary year - "neither too severe nor too sexy," says she, who has progressed from a raincoat and pumps to her current dressed-for-success image in spiky Manolo Blahnik heels and Calvin Klein suit. "But there is no need to look boring," says Turner. "We all want to look

good." And this can be done if the style is kept subdued.

One tip, if a restricted dress code operates, is to spend as much as you can afford on your first sober suit. Good cut and fabric really matter - they last longer and look better.

Susie Faux, who has built a name as the working woman's sartorial psychologist, and is the owner of Wardrobe, a fashion consultancy, feels strongly that the most important thing is to "love your suit" - not only will you be seeing a lot of it but this will give you tremendous confidence.

Although all this may seem a bit like reverting to school uniform, it is not as grim as it sounds - and there is no need to look dowdy.

Just as chaps should avoid, at least to begin with, shirts with stripes, so women should beware of loudly-striped suits.

At the next stage of your career, you could introduce stripes as well as bold, colourful ties and, for women, scarves and more expensive jewellery.

Grey outfits often look better than navy. Inexpensive navy clothes often tend to become shiny more quickly. Remember this suit should take you from your first interview to your first pay rise.

For men's suits, medium 13oz hard-wearing hopsack is best. Single-breasted, three-buttoned jackets can introduce an acceptable fashion element and flat-fronted trousers are flattering to a youthful frame. If you prefer double-breasted jackets choose the traditional six-button/two-fastening combination, which is more classic than the continental-style single-fastening as this can hint at a wide-boy, 1980s-salesman, style.

Women's suits, although they should be dark, can be more adventurous with fabric, textures and weave. If you cannot afford a really good suit, try and spend as much as you can on a quality jacket and team it with a cheaper black skirt or some good chain-store trousers (Marks and Spencer usually has excellent ones). Skirts should not be too short and, in most city offices long ones are frowned upon. The best length for the moment is a couple of inches above the knee.

A mid-sized heel is good for women's shoes which must have the minimum of detailing. For the men, Lowri Turner thinks they should invest in one pair of well-made shoes. "A good pair of Church's will see you through to promotion and beyond." Plain brogues or Oxfords seem to be the only choices - certainly no loafers and, of course, they should, above all, be immaculately clean.

Once you have chosen your suit, think about your appearance. Clean-cut and groomed is how employers prefer it. Susie Faux thinks a good hair cut is where it all begins and advocates regular manicures for both men and women.

When it comes to make-up she thankfully excludes men but believes women must use the right amount: "Not too much - but they must use some."

Soon the days of the first and only suit will be behind you as you head for the Versace ties and your skirt can be as sexy as you like. After all, when you are the boss, anything goes.

To find affordable ranges of "first suits" for men and women it is worth looking at smaller department stores, such as Kendal Milne in Manchester or Dickins & Jones in London, and specialist shops, such as the Norton Barrie chain of shops in Northern England (mainly men) or, if you can persuade a parent or godparent to fund it, Wardrobe in Brook Street, London, W1.

For a slightly less attentive service, but with suits that are good value, chain stores Next, M&S and Principles have intermittently excellent ranges while on the slightly more expensive side Jaeger, Austin Reed, Hackett and Daks Simpsons offer mid-range suits that are true investments in your career.

Other shops to check out are Jigsaw, Whistles and Selfridges and Dorothy Perkins which has invested heavily in upgrading the design content without pushing up the prices.

Photography Richard Burns
Stylist Heath Brown
Hair and make-up Mary Balfe, at Carol Hayes Management



She is wearing a grey, soft tweed wrapover dress and jacket, £296, by Marella. They can be bought separately and teamed with things such as waistcoats, kilts or trousers to build up several different looks. Stockists nationwide, ring 071-287 3434. He wears a single-breasted basket weave suit, £275 by Austin Reed at branches nationwide. White cotton shirt, £41 by Van Heusen at House of Fraser and Debenhams nationwide. Green silk tie, £45 by Paul Smith, 41 Floral Street, London WC2. Tel: 071-379 7133.



A good example of the simple-cut three-button single-breasted suit in a current version of a traditional style. Flat-fronted trouser with the more flattering narrow leg. Suit, £185 by Jigsaw, 126 King's Road, London SW3 & Laidenhall Market, London EC4. Tel: 081-878 8446. Silk weave tie, £43 by Jigsaw. Black shoes, £140 by Sweeney's at Plumline, 55 Neal Street, London WC2 and Harvey Nichols, Knightsbridge, London SW1.

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Black six-button, three-fastening double-breasted suit that harks back to pre-war traditions. The high revers are becoming more fashionable again and are already acceptable in business while the trousers are tapered in the style so much admired by former public school boys, who are renowned for having their straight-legged versions altered.

Jacket, £299.95; trousers, £49.95, both from Next branches nationwide. Light blue/grey shirt, £24.95 from Oakland branches nationwide (081-450 3100). Black and white tie, £18.95, Oakland.



FASHION

The long, hard road to a couturier's heart

It's tough if you are a textile artist, says Jane Mulvagh

Textile artists are the unsung heroes of fashion - vital to the finished product, yet often unknown and unacknowledged.

One has only to remember Paul Poiret's orientalism, for instance, which owed much to Raoul Dufy's painterly depictions of the Levant on cloth, and Keith Haring's graffiti, lifted straight from a Bronx subway which lent street credibility to Vivienne Westwood's sportswear.

But for the would-be supplier of textiles to the Parisian fashion houses the road is long and hard.

The back door of most Parisian couture houses is fiercely guarded by a *manutentionnaire* or storekeeper, typically a woman with a Napoleon complex who will fob off any hopeful talent with a sharp, "We have our suppliers." If you do not happen to be French the rebuff will be even more crushing.

In the 1960s, when the Azzares, textile suppliers from Italy, approached the couture houses, they sensibly hid their origins behind the name "Nattier", taken from the French painter whose favourite blue was a mainstay in their collection.

They introduced their cardboard-stiff triple gabardine to Courrèges, enabling him to carve his board-flat, space-age tunics. Without this French pseudonym, Courrèges would probably never even have looked at their new fabric.

Zlka Ascher, a Czechoslovakian Jew who mixed mohair with nylon to give it stability and create new textural possibilities, became so desperate that he introduced himself to the world of couture by pushing fabric samples through the open window of Christian Dior's car.

Sabina Fay Braxton, a 30-year-old Englishwoman, is the couture world's latest textile darling, but it took her three years to wheedle her way in. Her "vintage" effects on modern fabrics, be it medieval alto-basso (varyingly cut) velvets, early 18th century Venetian and Lyon "Bazaar" prints, or a pastiche of a Gericault equestrian scene, have been seized on by couturiers because of their passing resemblance to rich embroideries, at a third of the price.

Braxton grew up in the Middle and Far East. Her mother was a painter and her father a writer and collector of ethnic costumes. She studied film and costume design in Nice and, while helping to restore a medieval hunting lodge in the south of France and the Pro-

vençal house of a Renaissance and Baroque art collector, she created mock-period fabrics for both.

In 1990 she began supplying Christian Lacroix and, later, Emanuel Ungaro, Olivier Lapius, Louis Feraud and Chanel in Paris, and Bill Blass in New York with her shimmering ornate renditions of historical fabrics.

Indeed, she almost single-handedly diverted Ungaro from splashy, bright, geometric prints to muted and layered chiffons and velvets which evoke the Levantine concubines in *Tales of Hoffman*.

Her signature is *gaufage* or embossed velvets. The deep pile is stamped under heat with carved wooden blocks, invariably with silver or gold-leaf or bronze filings to accentuate the motif.

The result is embellished with paint to give it the appearance of a splinter-cracked fresco that has been scattered with moon dust.

Christian Lacroix spotted Braxton's patinated velvets in Verset, an interior design shop in Paris, and saw their potential at once. But Braxton had never intended to work in high fashion: "I never thought there would be any money in it, for some of my fabrics cost up to FF4,000 (about £490) a metre and much more for a one-off piece which is more like a painting." However, it was too good a chance to miss.

Together with Lesage, the master embroiderer, Lacroix and Braxton collaborated to create the most successful jacket of his spring and summer 1991 couture collection: a Chinese-yellow velvet embossed with a silver-leaf motif made up of griffins and gazelles, Byzantine squares, ultra-modern cubist flowers and a Moorish tile pattern.

One would imagine that her path into *haute couture* was then assured but, in spite of congratulatory telephone calls from Lesage, the *manutentionnaires* at Jean-Louis Scherrer were as obstinate as ever.

"They don't want to see any new... they wield a weird sort of power and if you can't get passed them you're sunk." But Braxton persisted and was eventually granted an audience. Scherrer ordered immediately.

Many couturiers live rather like renaissance princes, isolated from daily trivialities. A couturier's brief is passed down the line, like a Chinese whisper, from maestro to studio director to supplier, so it is not surprising that the end result is either vague, or distorted.

At Ungaro, Braxton's brief was that the couturier was

interested in "patterns like a Persian miniature with striped borders". That was it. No colour, motif, size or fabric instructions. And all to be delivered in 24 hours. "Fortunately, I was very familiar with these miniatures from my childhood, so I went ahead," she recounts.

The studio is based in a quiet side street of the 14th *arrondissement* where, surrounded by paint pots, carved blocks and art books, Braxton conjures new processes. Her latest inventions are photo-printed suedes and fake furs embossed with tracery. Some of her specialist pieces can take as many as 120 hours a metre to create.

What is maddening is that couture studios may prevaricate for weeks, holding on to a precious sample and then at the last minute rejecting it or, worse, ordering several metres for a couture show in a few days' time. To survive as a handmaid to French couture it pays to be unflappable and to require just snatches of sleep.

Her insight into couture has

led her to question its time-consuming methods: often the same effect could also be achieved by printing or using a machine, but the kudos of "hand-made" means they often insist on unnecessary and expensive handwork.

Braxton has used her partnership with couture as a means of promoting her own range of accessory clothing to be launched in September. It will be sold in department stores and boutiques in London and New York.

It includes scarves, stoles, waistcoats, body suits and loose tunics and pants for women, and waistcoats, ties, scarves and handkerchiefs for men. She will also offer a small range of embossed leather accessories. Prices start at £29. They will be on sale in Harrods of Knightsbridge, London SW1 in time for Christmas and in the US at Barney's, Bergdorf Goodman, Neiman Marcus and I. Magnin.

■ Sabina Fay Braxton, 5 rue Daguerre, Paris 75014. Tel: 46 57 11 62.

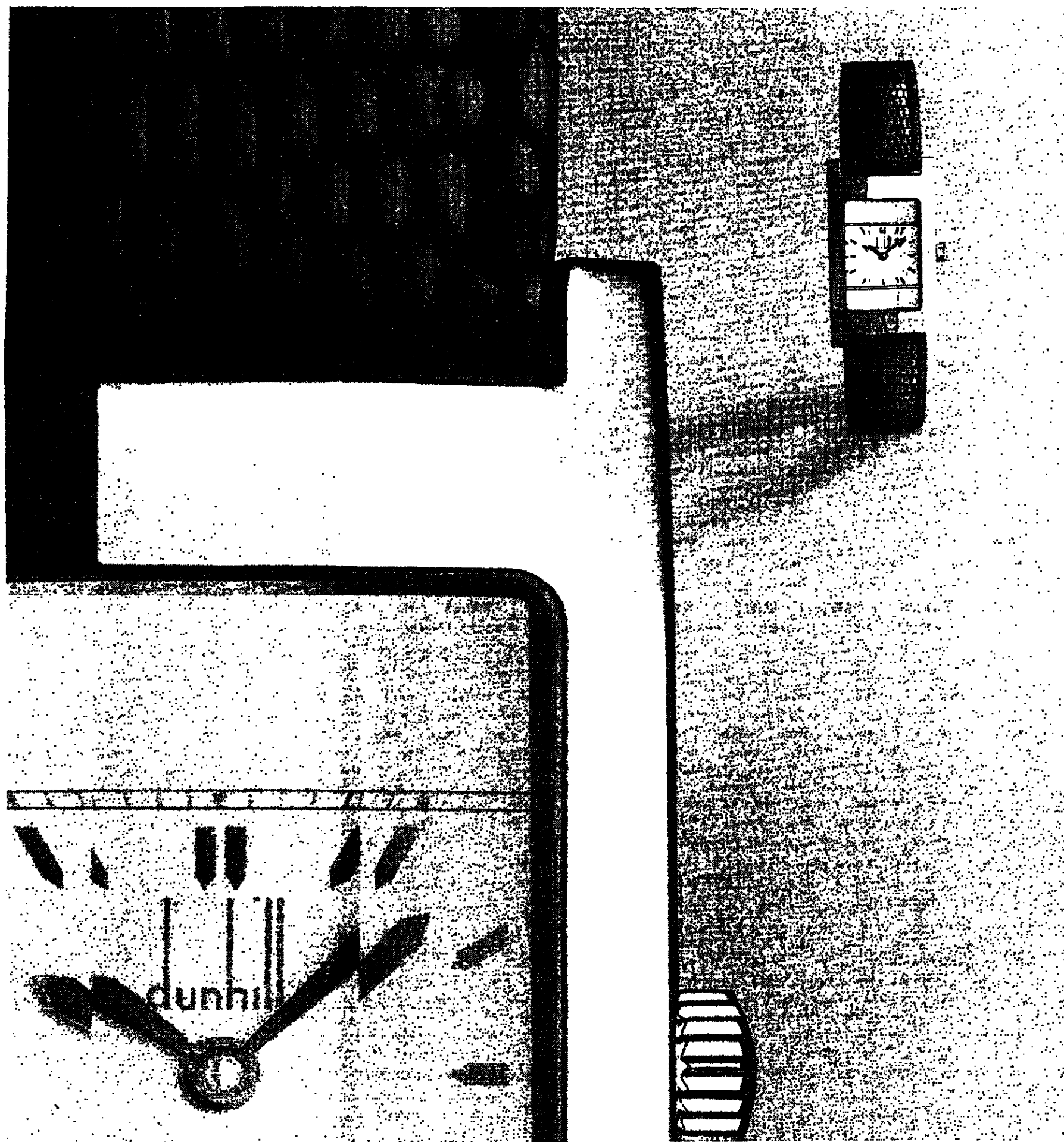


Rust-embossed velvet shawl with fake fur border. Black stretch chiffon body with *gaufage* velvet cross for Christian Lacroix couture. Necklace by Ungaro.



Christian Lacroix's black velvet jacket embossed by Braxton. Earrings from Musée Cluny, Paris. Photographs: John Swannell. Stylist: Jane Mulvagh. Hair and make-up: John Gustafson.

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Ungaro's waistcoat, part of a couture wedding ensemble, made from metal and silk organza jacquard, decorated with block-printed birds of paradise. Sabina Fay Braxton's printed chiffon scarf worn as a sarong. Necklaces by Ungaro. Earrings from Virginia Antiques, 98 Portland Road, London W11.

HOW TO SPEND IT

Starck naked and simply stylish

A bidet based on the design of a bucket, and a bath costing more than £4,300 are part of a new collection admired by Lucia van der Post

There seems no end to the inventiveness of Philippe Starck. He is, for those whose minds have been on higher things these last many years, the famously shabby and cuddly Frenchman who speaks English with a Peter Sellers French accent and who made a lavatory (the one with mirrors in the Café Costes in the Place des Innocents) one of the most visited sites in Paris.

He is, just in case that has not made it clear, a designer. Or rather he is what most of us would call a designer but he, in his playful, provocative way denies it hotly. He is, he insists, a political activist, a radical changer of the way people live.

Be that as it may, the man who gave us the ultimate lavatory brush, the most expensive lemon squeezer in the world, the most eccentric kettle and the most uncomfortable chairs in Paris is in designing mode again and this time he has turned his attention to bathrooms.

As you can see from the photographs, he has managed, as with almost everything he touches, to give the standard components that we all know and use, baths, basins, lavatories and bidets, a fresh look. It is a look that, alas, comes with a hefty price tag - but being at the cutting edge of design never did come cheap.

Commissioned by Duravit, a German manufacturing company, to produce his own vision of contemporary bathroomware, Philippe Starck went back to basics. How, he asked himself, did early man wash and keep himself clean? He would scoop water from streams and lakes by cupping his hands.

Later, as he provided himself with a few comforts and artefacts, he built round washing bowls (all those heavily decorated Victorian bowls were almost all perfectly round) based on the simple round shape of cupped hands.

Water in primitive communities was (and sometimes still is) collected by hand-pump and he has used this shape as the inspiration for the wash-basin mixer.

The lavatory and bidet are based on old buckets. The bath, a simple free-standing oval, is modelled from the old-fashioned tub, rather like the ones we see in old Western or nostalgic photographic essays of vanished working-class life.

But do not be fooled by this artless vision - the inspiration may go back to early Arcadian days but the technology, of course, is white-hot new. The

lavatory, for instance, in true eco-chic style, flushes properly with only six litres of water - most, it seems, need nine and even the newer more conservation-conscious models need 7½.

The manufacturers are excited by the tap on the basin. This is based on the lever action of the hand-pump which means flow and temperature can be operated with one-hand but it required the development of a new small mechanism to make it work efficiently.

The bath, too, sitting serenely in the middle of the room, required some new technology to enable the taps to fit neatly on to its rim. For those who like their baths to do fancy things it is possible to have Venturi massage jets, an air injection system or a combination of the two.

The bath itself is made from reinforced acrylic, the rest of the equipment from ceramic, but where wood is used (as in the basin with cupboards below) it has a pearwood veneer and a black melamine interior.

What appeals to me is the simplicity of the aesthetic - it is cool, clean, tranquil, with nothing pushy or aggressive to disturb the eye. When properly installed not a vestige of plumbing is to be seen.

Yet it is clearly practical - for instance, around the oval bath runs a polished chrome rail so that a towel or even clothes are always at hand.

For those whose notions of a proper bath include the possibility of drinking the odd glass of champagne, there is a broad ledge.

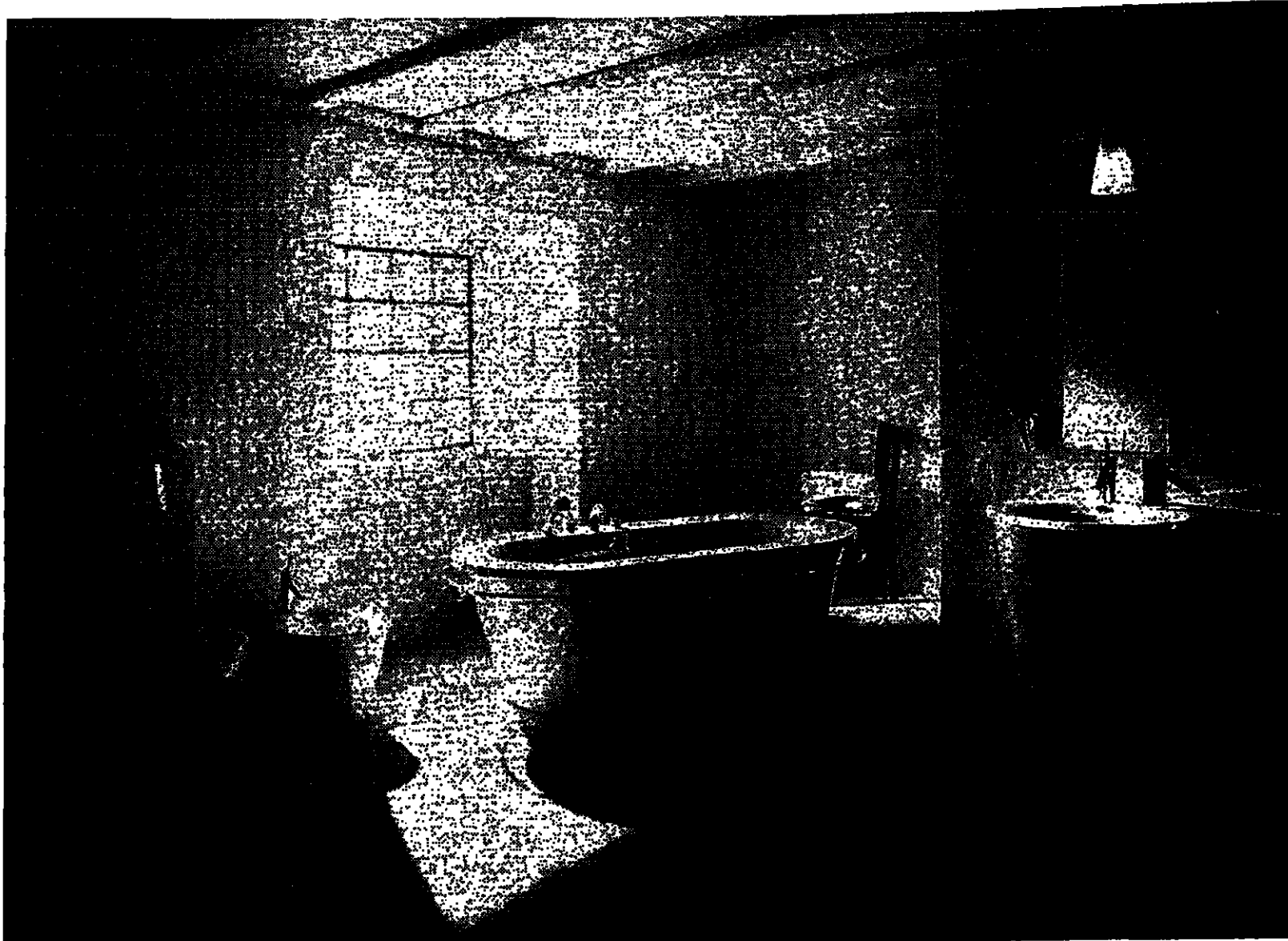
If you like to buy a bathroom as a package, there is a range of accessories - everything from simple hooks and a sleek toothbrush holder, to towel rails, lavatory paper holders and a mirror.

The collection, as I have already intimated, is not cheap. The bath, being the most innovative technically and, of course, the largest piece of equipment, is the most expensive at £4,361.60.

The floor-standing (there are also wall-mounted versions) bidet and lavatory together are £1,024. The wash-basin is £528.93 and there is a shower tray at £1,314.82.

The complete range can be seen at C.P. Hart, Newnham Terrace, Hercules Road, London SE1 7DR. The range is new and is available to order only - currently the waiting time is 12 weeks but C.P. Hart hopes to get this down to more like six weeks shortly.

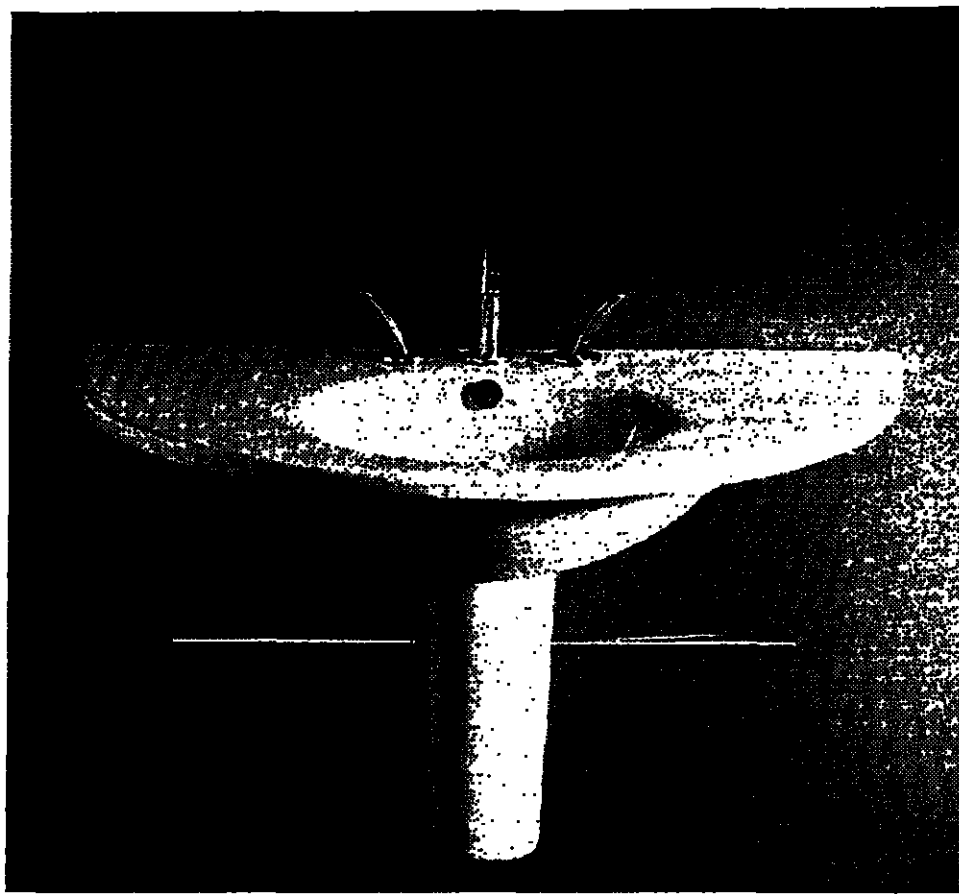
Later in the year it will also be available from other bathroom suppliers. ■ Tel: 071-902 1000 for details.



Cool, airy, tranquil, the Philippe Starck bathroom with not a piece of plumbing in sight



The basin with a pearwood veneered cupboard below



The wash-basin: the shape of cupped hands provided its inspiration

Small company, big following

Cobra & Bellamy has always been one of those small London shops that had a reputation and an influence out of all proportion to its size.

Its two partners and owners, Veronica Manassis and Tania Hunter, have had a way of sensing the mood of a moment almost before it arrived and offering a growing band of aficionados the jewellery they did not know they wanted until they saw it.

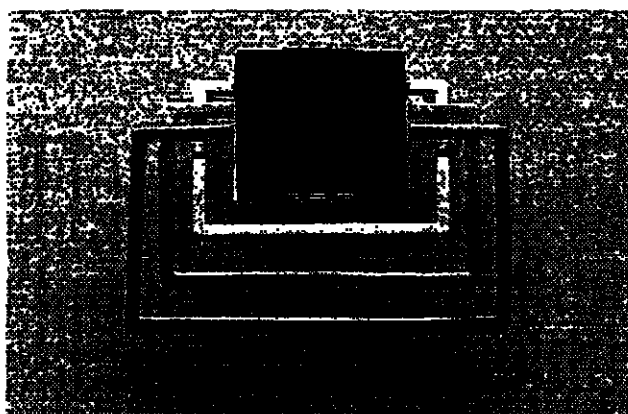
On Monday there is a big milestone in the development of the company - it opens a large and lavish new branch in the newly glamorous Dickens & Jones store in London's Regent Street and it launches its first ever mail order brochure.

For those unfamiliar with Cobra & Bellamy, it started by selling period costume jewellery, then moved on to popularising Art Deco pieces.

Today it still sells Art Deco inspired pieces but it is better known for an interesting partnership with the Italian jewellery designer Barbara Bertagnoli, who designs intricately interesting pieces for them in 24-carat gold with richly coloured gemstones.

Their glass-based strings of pearls, using original 1930s and 1950s clasps, are always a huge success with those who cannot afford the real thing.

Now, with the new shop to supply and mail order customers to keep happy, Manassis and Hunter have introduced a special Cobra & Bellamy line of their own, mostly very well-priced, very strong and simple



Art Deco-inspired jewellery has always been a strength of Cobra & Bellamy. Here is a typical piece - a hallmarked silver brooch set with a black acrylic cushion, £29



Hallmarked silver dumb-bell cufflinks, 22-carat gold-plated with lapis lazuli beads, £24

pieces in either hallmarked silver or 22-carat gold-plated silver. Amber is a big new development, too.

For chaps there are some elegant cufflinks and retro watches sell between a very reasonably-priced £26 and £37 (but hurry, each Friday's consignment sells out before the following Friday).

■ For a mail-order brochure ring 071-730 9993. It costs £5 which is refundable on the first £30 order.

Otherwise visit the shops either in Dickens & Jones or the original branch at 149 Sloane Street, London, SW1X 9BZ.

Lucia van der Post

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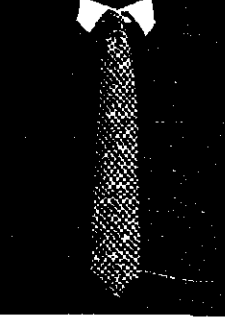
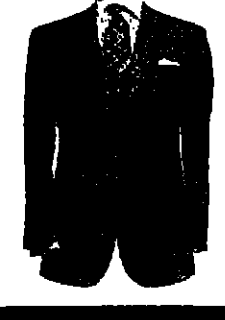
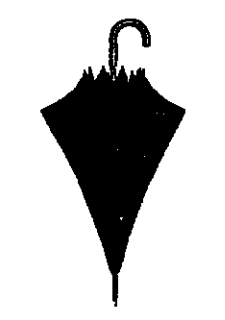
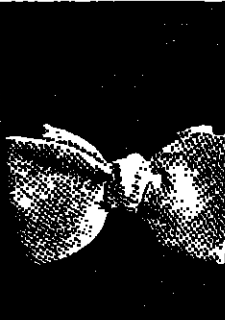
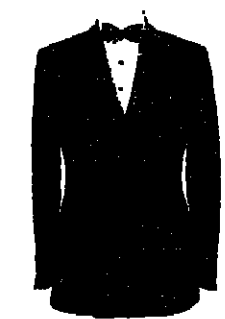
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PERSPECTIVES

The IRA's declaration of a ceasefire and the prospects of peace are important to many Americans. Nicholas Woodsworth visited an Irish society in Boston to see how the news was received.

Walk into the headquarters of the Emerald Society in a suburb of Boston, Massachusetts, and you will start to understand why the US president, Bill Clinton is so cherished about Ireland. This is a hall, soaked in Irish-style nostalgia, with shamrocks and bright Kelly green curtains. It is the meeting place for one of the 4,000 Irish-American organisations. The number of US citizens claiming Irish descent has been growing rapidly and is now thought to have reached 44m.

The sense of fellowship with their compatriots across the water has been a great source of strength for the republican cause in Northern Ireland – and a source of cash to arm the IRA terrorists. So the IRA's declaration of a ceasefire and the prospects of peace are a matter of some importance to a very large body of Americans.

In Boston's Emerald Society hall they are men of substance: large of girth, loud of voice and confident of manner – the patrolmen, deputies, sheriffs and constables of the Boston city police force.

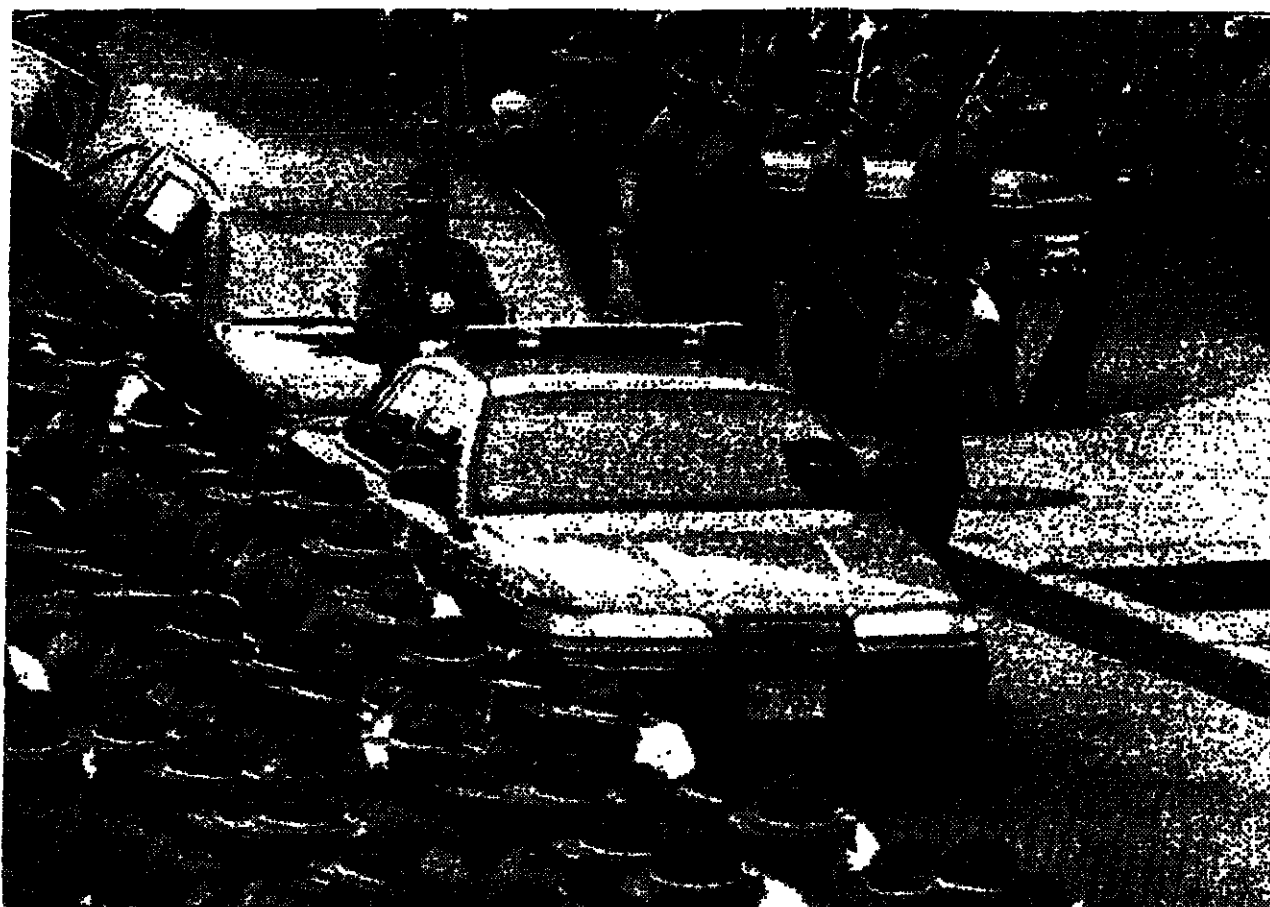
They meet under an Irish flag at the front of the hall. A mural of the Irish Dail decorates one wall, the blarneys of Ulster, Leinster, Munster and Connaught the other.

But when at the society's meeting this week Constable Tom Brown made his way round the hall with copies of the US-published Irish Echo, the glow was dimmed. It was not that anyone present was unhappy with news of the IRA ceasefire but, if violence has come to a halt across the water, it has not stopped in Boston. Some officers were still in the ceremonial kilts, spats and argyll socks of the Boston Police's Gaelic Column, after the funeral of a slain Boston policeman, the third to be killed in as many weeks.

"We are not sick of violence," said Brown. "We have seen too much of it ourselves. It doesn't matter where policemen and innocent civilians are being killed. It must be stopped in Ireland, and at any cost."

Had Brown's views on the IRA been sounded out a decade ago his response, he admits, would have been very different. For many years he has been a member of Noraid, the Irish-American organisation responsible for much of the funding of IRA activities. Still a Noraid member, he acknowledges that Irish-American support for IRA violence has dwindled sharply, both emotionally and financially, in the last two or three years.

Noraid, Brown says, now supports the ceasefire and will work for a negotiated settlement. If the price of peace is the Irish Republic's relinquishment of its territorial claim to Ulster, that, as far as Brown is concerned, is acceptable. "Compromise is what it is all about," he affirms. "Both sides are going to have to bend."



Boston policemen carry the casket of state trooper Mark Charbonnet, fatally wounded in an incident last week

Message of hope and fellowship

The vast majority of policemen in the Emerald Society feel as Brown does – they have as much fear as any Americans of growing levels of violence, and no illusions as to its romance or benefits.

"I admit it, I was a Republican punk," smiles policeman Dan Ring. "I used to be a member of the Charlestown (a Boston suburb) Liberation Army. The CIA would go around spray-painting 'Kill the Brits' and persuading, more or less politely, local residents to contribute to the cause. That's all over – I grew up and became a cop. In 1992 I was on holiday in London when the IRA Christmas bombing campaign began. I was worried for the bobbies, for chrissake. Me, Irish Dan Ring! But a cop's a cop wherever and wherever he is. I still believe in uniting Ireland, but not by the gun."

If Irish-Americans have any hesitancy about the ceasefire, it is not generally based on any clear appreciation of the complexities of contemporary Irish economics or politics. They are instead fed at gut level, and are old ingrained views inherited over generations from forbears forced to emigrate from Ireland a century ago. Most reservations are expressed, now as they were then, in terms of mistrust of British intentions; as Americans the policemen of the Emerald Society freely

admit that they wholly fail to understand religious division within the same ethnic community.

But, as Americans, they are quick to come up with a simple solution that is neither political nor religious – most Emerald Society policemen believe, perhaps rightly, that a quick, large fix of money would do wonders for the old country.

"Ireland needs money, but it shouldn't come from the US tax-payer's pocket," said "Dapper" O'Neill, the conservative Tammany Hall-style Boston city councillor who, as the city's chairman of the committee on public safety, had come to address the Emerald Society after the funeral. "We've got too many problems here and too many social programmes that are ruining the country."

Affirmative Action, the social programme that gives a head-start to disadvantaged minorities in the US, is not the way to go in Northern Ireland, Emerald Society members believe. They have seen it create too much bitterness against blacks in their own community. Nor is any other social aid programme likely to succeed. Instead, it is good old-fashioned private enterprise and investment that they believe offers Ulster its greatest chance.

"Look at the thousands of Americans who visit the Republic every year," notes policeman Jack Sheridan. "Bill Clinton can't change Ireland. What will change Ireland is if there is a peace long enough to bring tourism, investment, jobs and prosperity."

Miles away, in downtown Boston, Irish-American businessmen seem to agree. At the Irish-American Partnership, a non-sectarian organisation claiming 7,500 US members and promoting employment and economic growth on both sides of the Irish border, Joseph Leary speaks enthusiastically of the 375 US company subsidiaries based in the Irish Republic; less than 40, on the other hand, are to be found in Ulster. That imbalance would change radically, he feels, if a stable political environment developed in the future.

Will it? Most Irish Americans, given the enchantment lent by distance, believe some sort of point-of-return has been crossed. But the biggest problem, in former Charlestown Liberation Army policeman Dan Ring's view, is not international negotiation, US funding or British recalcitrance or any other external factor. "It's the Irish themselves. I should know. We hate to give way. We are the stubbornest bastards in the world."

The Nature of Things/Andrew Derrington

The windmills of your mind

What is it about drugs that allow them to alter the workings of the mind, manipulating moods and perceptions, lifting depression, even enhancing memory?

According to neuroscientists, these mental phenomena result from the electrical activity in the circuits of the neural computer between our ears. How then, do drugs cause selective changes in the activity in these circuits? What gives the neural computer its chemical dimension?

These questions have been thrown into sharp relief by the reported deaths of night club revellers, thought to be caused by the drug Ecstasy. And although neuroscientists can answer them, and can even explain why Ecstasy has such dangerous side-effects, it is still impossible to predict either the efficacy or the side-effects of new drugs.

The chemical dimension of neural activity starts from the fact that the electrical currents in neurones (nerve cells) are carried out by electrons, as in a computer, but by ions (electrically charged particles produced when salts dissolve in water).

Ions carry electric current much less efficiently than electrons because they are bigger and heavier, but they have the advantage that ionic currents can be switched on and off by chemical switches.

The brain compensates for the inefficiency of ions as current carriers by using the same technique as modern communication engineers, digital transmission. Information is coded and transmitted by neurones in the form of a stream of identical pulses, called action potentials.

Action potentials are electrical pulses controlled by chemical switches. The chemical switches are operated by changes in voltage (voltage-gated). The action potential travels down a neurone by operating the voltage-gated switches just ahead of it, and "switching on" an action potential there, which then repeats the process. This is exactly the way that relays enable man-made cables to transmit long distances without losing signal strength.

Drugs that impair the actions of the switches can suppress the transmission of information. This is how some nerve poisons, such as tetrodotoxin which is secreted by the Japanese puffer fish, and anaesthetics work.

Any drug that acts on the voltage-gated switches that control the action potential will affect the whole brain. To affect our moods a drug must modulate the activity of different brain circuits selectively. It must act on a process that works differently in brain circuits controlling different functions.

The synapse, which is the device that transmits information between neurones, is a promising target for selective drug action. When an action potential arrives at a synapse, it releases a minute quantity of a chemical called a neurotransmitter. The neurotransmitter acts on the next cell

in the chain by reacting with a special molecule, a receptor, to operate a chemical switch and turn an ionic current on or off.

There are many different neurotransmitters, and each may act on several different types of receptor. Different brain circuits differ in the transmitters they use. The same transmitter may also differ from circuit to circuit. This gives drug designers an opportunity to devise chemicals that will have very specific effects on the brain.

Chemicals that influence the interactions of neurotransmitters with their receptors, for example by altering the amount of transmitter released or the duration of its interaction with the receptor, have the potential to alter the operation of specific brain circuits. This is the way drugs alter the workings of the mind.

Drugs can also affect the function of other brain circuits, and of cells throughout the whole body, causing side-effects. Unfortunately there is much, not only

Ecstasy, popular as a dance drug, is the classic case of a drug with a wide range of effects.

about transmitters, receptors and brain circuitry, but also about general physiology that is not understood. It is impossible to predict the effect of new drugs either on the body or on the brain. Potential drugs still have to be identified by trial and error, and rigorously tested for safety.

Ecstasy is the classic case of a drug with a wide range of effects. It acts by suddenly increasing the release of the neurotransmitter Serotonin, which is used by neurones in circuits controlling mood, particularly reactions to unpleasant stimuli. Serotonin is also associated with the brain circuits that control body temperature, and those that select which of the millions of sensory signals available at any one time we attend to.

Ecstasy's popularity as a dance drug stems partly from its effect on mood, but also from the fact that serotonin shuts out unpleasant sensory signals caused by thirst and high body temperature. It enables people to dance until they collapse from heatstroke.

Tragically, this effect of serotonin is compounded by the way it acts outside the brain. It causes massive and widespread blood-clotting, which could be fatal even in people not suffering from heatstroke.

Thus Ecstasy (3,4-methylenedioxymethamphetamine), which was originally patented for use as an appetite suppressant, is an object-lesson in the difficulties that face the pharmaceutical industry in their search for new drugs.

Will they bid for peace?

Continued from Page 1

Crossgar on August 8.

Another friend of the murdered man said he belonged to no party but was "disgusted" by the way the British prime minister had treated Paisley. The rival Ulster Unionists under James Moynihan were betraying the people, he added, and Sir Patrick Mayhew talked down to them. Then he confessed: "Our worst enemies now are the loyalist paramilitaries."

The map says Ireland should be one nation. But Protestants behind the north-eastern partition feel different, part of another culture, another history, another tribe. The evidence of their descent is everywhere: in the Scottish names of families, villages and streets, in the Presbyterian churches, in the notices clamped to street lamps which read "Alcohol-free area". The people of north Antrim are physically closer to Glasgow than to Dublin.

Gerald Douglas, an eighth-generation Scot, is a Toyota dealer under the Mountains of Mourne in the south of Co Down where Catholics predominate. In spite of the ceasefire, he keeps a gun beside his bed: his garage was blown up 20 years ago and he has received death threats. "Though he regards Paisley as a destructive force and a retrogressive influence, he thinks Major this week put himself in the wrong."

Douglas is a former police reservist, an Ulster Unionist councillor and a Presbyterian who goes to church every week. He is also a deputy county Master of the Orange Order, and was flying to New Zealand this week as a delegate to the Orangemen's world council. His is the profile of the hard-line "prod". Yet Douglas comes over as a humorous and tolerant man who lives peacefully with his Catholic neighbours.

"My grandfather told me 'you can't trust Englishmen', he said. "This suspicion goes back to the days of Home Rule. Why, then, cling to London rule? "Better the devil you know, I suppose."

Protestants were afraid that union with the Irish Republic would bring religious oppres-

sion, he said. They still regarded the Republic as a priest-ridden state and Irish Catholicism as a "more superstitious, idolatrous faith". Douglas himself went to a mixed-faith school. His observation was that the Catholic children spent more time learning religion and the Irish language while the Protestant kids got on with their maths and English. Ulster Protestants were thrifty, industrious and more likely to succeed.

Religion is a cultural identifier in northern Ireland, not the cause of the conflict. Catholics and Protestants are not killing each other over the theological doctrine of transubstantiation. It is all about sovereign allegiances. As if to prove the point, opinion polls suggest a majority of Catholics – certainly the expanding middle-class – would vote to stay in the Union if a referendum were held tomorrow.

It is this fundamental question of sovereignty which makes Ulster politics so polarised. The centre Alliance party



'We would rather be detached than semi-detached with Dublin'

– Sir Edward Archdale, a 'foose cannon' in the unionist ship

is small and weak. In the face of what they call the "pan-nationalist front", unionists remain badly divided.

If the unionist leadership cannot break with the past, new voices and new blood will be needed to turn a ceasefire – still not reciprocated by the Loyalist terrorists – into a genuine peace.



'My grandfather told me you can't trust Englishmen'

– Gerald Douglas, who keeps a gun beside his bed

This week the Belfast Telegraph published a letter from a group of business and professional people from the Unionist tradition. It called for "a pluralist society at ease with itself" and went on: "We must convince our fellow countrymen and women that there is a place for all of us in this new society. We 'protestants' must also be the 'persuade-ants'."

Where were these well-wishers when they were needed in the past? Roy Bradford, a minister in the last northern Ireland executive and now mayor of well-heeled Bangor, was scathing. "It is the *trahison des clercs*," he snuffed. "The letter was unsigned. They hadn't the courage to put their names to it because they were afraid it would be bad for business. These businessmen are doing all right, and they don't want to get their hands dirty."

"For a professional to be publicly associated with the unionist position is not good for him. He does not want to seem a bigoted anti-Catholic. In the past, of course, a lot were afraid of being shot."

The mayor and his chief executive, Adrian McDowell, sat puffing cigars over a map of the town's yacht marina. This is one of the most prosperous parts of the province, a dormitory town for Belfast with below-average unemployment and above-average income. The plate-glass villas,


with their hydrangeas and pampas grass, gravel sweeps and baying guard-dogs along the Gold Coast southern shore of Belfast Lough are enough to make the stockbrokers of Surrey weep with envy. Here, it is said, you will find the highest concentration of BMW owners in the UK. Even without the help of the Province's net subsidy from Westminster of £3bn a year, this would be a bourgeois paradise.

Unionist politicians admit the middle class has opted out. In one sense it is not surprising: under direct rule from Westminster the powers of local authorities in Ulster are derisory. "Burials and refuse collection – and that's about it," said Sir Edward Archdale, a former borough councillor.

After a distinguished career in the British Navy, Sir Edward, who describes himself as "a loose cannon" in the unionist ship, retired to his homeland to study politics. He is a baronet who lives in a bungalow. In religion, he is a die-hard traditionalist, in social affairs an anti-capitalist radical. His long absence allowed him to escape the atmosphere of intransigence among those whose lives have been shaped by the conflict. For Sir Edward the political answer for Ulster is self-government under the Crown, a similar status to that of the Isle of Man.


"We would rather be detached on our own than semi-detached with Dublin," he said. Sir Edward would like to reconstitute his party as a secular Ulster National Party to appeal to unionists of all denominations.

The plans of such potential peacemakers among the besieged majority were looking sadly premature this week. The IRA may have laid down its weapons but the unionists – mentally at least – are re-arming. A father of four sons asked to remain anonymous for fear of reprisals – all his boys are in the police. "I once hoped they would be my coffin-bearers," he said as he proudly showed a photograph. "But all these years I have been afraid I would find myself carrying theirs." That is what peace in Ulster means: a man whose last wish can be granted.



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PROPERTY / PERSPECTIVES



For £250,000-plus: the Artist's Cottage at Farr, near Inverness, which is based on plans prepared by Charles Rennie Mackintosh in 1900

Cadogan's Place

Mackintosh lives again

An extraordinary house is for sale near Inverness. The Artist's Cottage at Farr was built in 1992 from plans and elevations prepared by Charles Rennie Mackintosh in 1900 for an artist's cottage and studio that never went ahead.

Architect Robert Hamilton MacIntyre, of Keppie, Henderson & Partners, adapted the Mackintosh plans (kept in the Hunterian Gallery in Glasgow) to modern technology. The result is a stunning, white-rendered piece of the Mackintoshian - almost mud-brick architecture in its rounded parapets - set in the heart of Scotland. But I am not sure Mackintosh would have approved of so much fitted carpeting or of five showers and only one bath.

The leaded glass windows

use Mackintosh designs, and the wing which he intended for servants will now take children or visitors. Bidwells in Perth (0738-630666) seeks offers over £250,000.

Average rents have risen 67 per cent between 1991 and 1994, according to a new survey by Strutt & Parker, while inflation between May 1991 and May 1994 was only 8.38 per cent.

This is certainly a very large increase but Ann Sugden of the Newbury office, who compiled the survey, points out it is based on S&P properties outside London - mostly houses of farmhouse/old rectory size, cottages on estates or farms, or executive homes.

The prime reason for the increase is assured short-term tenancies (ASTs), which form 94 per cent of these lettings.

Although ASTs began in 1989, it took time for owners to understand that they really could regain possession when the terms ended. So, rents in 1991 were lower than they might have been, reflecting the uncertainty of the landlords as well as the recession.

The survey shows that rents now are highest for detached houses in East Anglia (averaging £700 a month) and the west country (£768), and for semi-detached houses and flats in the south-east (£433 and £450).

Rents for pre-1900 properties are almost twice as high as for post-1950. Detached houses rose the most (73 per cent) since 1991 and flats the least (22 per cent).

At Warham, on the Holkham estate in Norfolk, Savills in Norwich (0603-612211) is offer-

ing two solid, late-Georgian box houses on five-year ASTs for £12,000 a year: the old rectory and Chalk Hill farmhouse.

In Staffordshire, the West Midlands office (0902-851347) has a five-year lease for £150 week. This is a farmhouse given a castellated Georgian-Gothic facade around 1770 to improve the view across the park of Somerford Hall.

Nettleden House, built in 1856 on the Ashridge estate in Hertfordshire, is available for £3,950 a month from Hamptons (071-493 8222). The house has 11 acres, stables and tennis court - and the gardener's wages are included. Pay more to use the owner's Rolls-Royce or his cellar (charged by the bottle).

Slightly cheaper, at around £3,500 furnished, is Tibury Hall at Tibury-juxta-Claire in

east Suffolk. This is a Tudor house owned by Edward de Vere, an earl of Oxford and favourite of Queen Elizabeth. It, too, comes with a gardener and 80 acres (from Bidwells in Cambridge: 0223-541841).

Edwin Lutyens designed the red-brick Beacon House at Knebworth, Hertfordshire. Bryan. Bishop in Welwyn (0438-718877) is asking £475,000 (down from £497,000).

A Norman Shaw house is for sale at Groombridge, Kent, where he designed several properties. Set in three acres near Tunbridge Wells, Hillsdale respects the Victorian tradition of building with half-timbered gables and tile-hung upper walls. Savills in Sevenoaks (0732-455551) seeks £750,000 for it.

Gerald Cadogan

As They Say in Europe

The Swiss corner of Chinatown

James Morgan foresees a cultural melting pot

At the north-west corner of Leicester Square in London stands the Swiss Centre. It was originally planned as a cultural site to be called "Forum of Switzerland". That failed to take off because, characteristically, no Swiss was prepared to offer a guarantee to cover any deficits.

Today, it houses a Swiss watch shop and the Swiss National Tourist Office ("the oldest such foreign travel office in the world"). Outside stands a 10m pole emblazoned with the arms of the 26 cantons.

To coincide with the Swiss millennium in 1991, Westminster city council renamed the bit of street next to it Swiss Court. There is not a single facet of Swiss culture that goes unrepresented on the facade or in the environs: flags, cuckoo clocks, Swatches, coats of arms.

Since it was established in 1965, the centre has been, what it was once for me, a leading tourist spot. It symbolises romantic hopes, shattered dreams and broken hearts. It is unfortunate, therefore, that it should now be at the heart of three complex problems - commercial, racial and political.

"Uncertain fate of the Swiss centre in London," ran the headline in the *Neue Zürcher Zeitung*, followed by "Tempting offers and contractual hurdles". It emerged that the centre was transferred in 1986, in an in-house deal, to a holding company, the Swiss Centre Ltd, for a mere £3.2m. Its shareholders are the Swiss Bank Corporation (SBC) with 51 per cent, and two large state-owned enterprises, Swissair and the Swiss Travel Office, dividing up the rest.

But, "the structural circumstances of the building make reconstruction necessary". That will cost an estimated £45m. Now, last year the Swiss

Centre was valued at £14m but today, says the paper with heavy use of italics, £30m has been offered for the present structure. The SBC is, says the *NZZ*, anxious to sell but its minority partners have the right to first refusal.

This needs some explanation: the Bank Corporation says it is going ahead with the sale but the *NZZ* says there is a catch in the articles of agreement. It alleges there is a clause saying that any buyer

has to guarantee the Swiss character of the building. Now it will not take any observer of the London scene long to realise there might be a problem if that is so. The offers made up to now are hardly reassuring: the Swiss Centre stands at the edge of Chinatown. "Chinese investors are apparently ready to pay practically any price for this building." But they are not prepared to accept any "Swiss" condition.

It is evident that this problem cannot be resolved by some superficial, papering-over-the-cracks solution such as turning the Mövenpick restaurant into a Swiss-style chow mein centre. It is also evident that it is too late to offer Hong Kong as the 27th canton. But it does seem that both sides are unnecessarily overwhelmed by an assumption that there is some kind of incompatibility between them. This should not be so.

In Chinese, "Switzerland" is made up of characters pronounced "Rui Shi," which are considered auspicious by the Chinese. Then again, some Germans refer to the form of their language spoken in most of the Swiss cantons as "Cantonese".

The two peoples share many characteristics: both seem able to accept iron rules in order to avoid anything resembling anarchy, or even excessive personal freedom. Both put a firm emphasis on family values while allowing considerable latitude to those who fail to stick closely to the more demanding of their marriage vows. And one of the sub-headings in the *NZZ* in covering this story was, "What's a promise worth?" Just the kind of question a Chinese businessman might ask. A pragmatic approach to resolving such riddles is a shared quality so some kind of deal should be possible.

But the *NZZ* which emerges as a leader of the pro-Swiss faction, says a face-saving solution is out of the question: "The meaning of the contractual obligations of the three partners is clear." A proposition SBC denies.

There seems to be nothing for it but the creation of a Sino-Swiss Centre which would certainly add a touch of the unusual to the anonymous feel of Leicester Square today. I like the idea of buxom Swiss girls clad in cheongsams serving up lashings of sweet-and-sour *Rosti* every August 1, Swiss national day. And alpenhorns would add to the festivity of the local Chinese New Year celebrations in February.

With any luck, in years to come, a young man will be standing outside the centre, in the rain, clutching a bouquet of chocolate. Taiwan, in his right hand and, in his left, a box of Madame Choy's Lucky Cuckoo Chocolate Mincecakes.

James Morgan is economics correspondent of the BBC World Service.

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OUTDOORS

Gardening

A gentle end to scorching summer

Robin Lane-Fox contemplates clipping his blooming magnolia and healing yew

Mother Nature has scorched her poor gardeners all summer and, as the end of the season approaches, she is now softening them up with a kinder postscript.

Gentle rain and intermittent sunshine show September at its best. They also give us a chance for useful action, while enjoying the one high-class performer in this testing year.

Perhaps it has been the heat, perhaps it is the passing of its seventh year, but my evergreen magnolia *Grandiflora*, planted in 1967, has at last put lesser companions to shame.

Never be shy of planting these heroic trees against a sunny wall when you start a garden. Mine has had 14 flowers this summer, four of them open simultaneously as I write.

The myth that they need 10 years to flower in Britain is irrelevant. Better forms have speeded the process.

As yet, *The Plant Finder*, the Hardy Plant Society's list of more than 55,000 plants, lists only one source for the Maryland cross, which will flower in its third year; experts now speak equally well of Saint Mary, but I am happy with my usual *Exmouth* variety which is recognisable by its narrow leaves and flowers with smaller, more widely spaced, white petals.

They last for a long weekend and then the lemon-scented flowers turn brown like suede and start to drop. Blame their fall on the beetles who find their way into the flowers and pollinate them, their primeval duty since the years before the earth's last ice age. Who can be cross with the beetles when the slightest cooling on a September evening releases the scent which draws everyone to it?

Grandiflora owners must soon decide whether to choose clear daylight through their ground-floor windows or whether to leave their magnolia to grow sideways on the wall outside and obscure the light. These magnolias grow furiously and I will soon be hidden behind evergreens, lost to the world beneath a pre-glacial canopy.

Next spring, the magnolia will have to be pruned. Meanwhile, we should all be using the weekend on our evergreen backbones: those hedges and shapes of yew and box. Now is exactly the right moment to clip and train them because their sap is running less freely and their growth will be less delayed by being stopped.

Arm yourself with some bamboo canes, a ball of string and a sharp pair of hand shears. Fix the canes at intervals down the front of a young hedge, tapering them inwards slightly to give the slope, or better, of a well-groomed hedge. Traditionally you should allow an inward slope of one inch to each foot of height. Stretch lengths of string along the canes and then cut the hedging back to its line, striking firmly so that you do not leave split ends.

I hate cutting anything and would have disappeared by now in an undisturbed jungle if visitors' expectations did not force me to give hedges a shape. This year, the clipping of yew has taken on a new attraction: it is our chance to be useful and contribute to the nation's health.

You probably know the feeling of wistful waste when you are left with piles of green yew clippings, too early in the autumn to be used in winter decorations. It always seems sad to cremate them, but now you can send them off for research.

At Old House Farm, Stubbs Walden, Doncaster, Yorkshire, John

Friendship Estates will come to your garden for the clippings of at least 50 yards of yew hedging. It has 300 customers already and, in its third year, is collecting more than 100 tonnes of yew clippings. Fax on 0302-700958 or telephone on 0302-700200 if you have enough yew to help. It is a prompt collector and has swept up the crumbs from the academic yews in a nearby Oxford college already.

One hope for docetaxel is in the treatment of breast cancers, among others. Clippings should be stored in a cool and shady place to a maximum depth of 9in until they are

collected. Friendship Estates will lend appropriate bags and cool air fans to customers with a serious length of yew on offer.

It has been a awful year for hedge funds, but I feel it is up to the gardening column to name one which will actually turn out to have some value.

If only the doctors would come up with a use for the leaves of my magnolias. Then it would not be so hard to cut them, too, let in the daylight and tell myself that I was striking a blow for a longer life.

Magnolia *Grandiflora*: never be shy of planting these heroic trees against a sunny wall

Cook and his family have been farming 1,200 acres for nearly 40 years.

Since 1991, their company, Friendship Estates, has branched out from green herbs into yew clippings: they travel all over Britain to collect them, blow-dry them and send them to be milked for their vital extract, known as 10-DAB III.

When purified, this extract becomes docetaxel, a current favourite in cancer research, where high hopes are held for its medical worth.

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When salmon are encountered in

Angling/Michael Wigan

Russia's river of high returns

East of Murmansk, a large snout of taiga called the Kola Peninsular noses into the Barents Sea. Its few inhabitants, famed for their extremes of inebriation, herd reindeer. It used to be one of the world's more forgotten places.

All this changed in 1990, however. That was when an American sporting outfitter called Frontiers discovered that the rivers on the near-deserted Russian peninsula supported stocks of Atlantic salmon in numbers not seen in Europe or America for more than a century.

Most of the waters meander through trackless wastes, cuckoo-haunted forests and immense, glacially-scoured plains largely untouched by man.

When the salmon smolt heads for salt water, it finds unobstructed passage to the wintering grounds, patrolled comfortably by the Russian navy. It is all quite a change from the mayhem of the EU-regulated North Sea.

This has led to big changes. The shacks of Murmansk airport are now full of colourfully-clad fly-rodgers - an international coterie of fishing enthusiasts who will do almost anything to make contact with their premier game fish.

From a battered Russian airport bus, they creep into the cavernous holds of even more battered Russian helicopters. These huge iron-clads thud over the taiga, depositing their human cargoes at camps newly constructed in the forest. Polystyrene igloos, tents, anything will do. Nothing like this invasion of fly-pole artists has been seen before.

The river to which I went is 280 miles long and queen of the lot. Of the 11,000 fish caught by rod annually on the Kola Peninsula, 7,000 come from the Ponoi during a season that lasts four months starting in June. It is remarkably consistent.

Two camps operate over a fishing concession from the Russian government that covers 80 of the prime 120 miles that are suited to fly fishing. The luxurious Upper Ponoi camp, my abode for a week, not only has a stretch of this great salmon river but also flies devotees out daily to two dreamily beautiful tributaries, the Acheriok and the Pourmache.

When salmon are encountered in

these rivers, they can be blissfully foraging. After a botched cast and a poor strike, even after having been hooked and lost, they return to the attack with an aggression that usually occurs only in fishermen's wilder fantasies.

Statistics may be inconclusive, but salmon talk is rarely devoid of them for long. One British woman landed 12 salmon in a day from the upper Ponoi.

My own fishing partner found creative embellishment of the day's proceedings unnecessary - he hooked and landed nine salmon in two hours in a pool requiring only half a cast. Three years ago, 12 rods on Lower Ponoi camp averaged 66

fish apiece for each of their two weeks there.

Contrary to expectations, I found that the fishing was usually sporty despite the occasional "taking frenzies". Pound for pound, these Russian fish punch above their weight. Indeed, much *Stolichnaya* has been sunk in sorrowful meditation on their breakaway powers. I found unshaven, bleary-looking men slumped in the airport reflecting ruefully on the inadequacies of their tackle and competence.

On the Kola, the accent might be mainly on salmon - but you can never quite forget the stories of Stalin's extermination of the Lapps, or overlook the feeling of history that permeates all Russian soil.

Together, all these things make this migration of western sportsmen a particularly interesting one in which to take part.

Michael Wigan flew Finnair to Murmansk. The trip was organised by Frontiers' London office at 14 Old Bond St, W1X 3DE, tel: 071-493 0798. Prices for a Ponoi package run between \$5,600 and \$7,500, starting from Murmansk.



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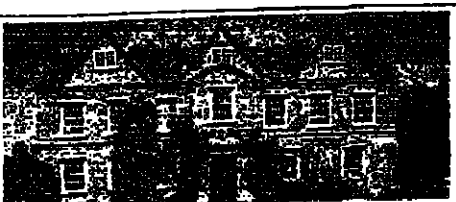
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FT Ski Expedition/Arnie Wilson

Caught on the hop

Arnie Wilson and Lucy Dicker have reached the Australasian stage of their round-the-world expedition, on which they are trying to ski every day of 1994.

In the Australian Alps, where the pied currawong gorges and warblers and crimson rosellas dart through the snow-gums, they worry a lot about their welfare. "If you drink and then drive, you are an idiot," is a common road sign. So is "buckle up in the Bush" and "Drive to Survive".

My main survival problem is driving on the left. After eight months and 23,000 miles of driving on the right, I am finding it difficult to adjust back and we have already had one near-miss.

In Mount Buller we were urged not to forget the "slip slap sloop" (suncream). It is unseasonably warm and the snow is suffering. Appropriately in the land of the kangaroo, what is required for the kind of snow conditions we have here in Mount Hotham (slushy moguls) is "the hop".

"There is absolutely no doubt about it," said Norman Wilson, one-time designer of Formula One engines, "you have just got to get the tails of your skis out of the snow".

He went on: "We were taught the hop by Peter Zirkitzer, one of the first ski instructors in the resort in the early 1960s."

Wilson and his wife Liz put this technique to good use on a recent visit to Stubai, Austria. "There were some excellent German skiers in our class," he says. "Liz and I were content to bring up the rear on the first day. Then next day the sun had got at the snow and we were skiing in the kind of slush you sometimes get in the Victoria Alps at the end of the season. This time, Liz and I were right behind the instructor and the rest were falling like ninjas."

Zirkitzer - a boyish-looking 61 who can still ski the pants off most of the locals - runs Zirki's, one of Mount Hotham's ski lodges that combines accommodation with a restaurant and ski hire. Peter Malkin, probably the most laid-back man in town, if not Australia, runs another, called Jack Frost, where we have been staying. In his spare time he runs a gold mine.

Zirkitzer is one of many

Europeans in the mountains of Victoria and New South Wales. At Mount Buller, we skied with Paul Romagna, the newly appointed director of St Anton's Bundesgessamtheit ski school for Austrian ski instructors at St Christoph.

He is about to complete 21 double winters as ski school director in Mount Buller and Schruns. Why does he keep coming back to Victoria?

"It's the scenery," he said. "At the end of a day's skiing I like to gaze across the mountains as the sun sets. The different ranges change colour from green to grey to blue."

Even though I have a wonderful view of the Montafon Valley back home, this is superb - and very different from Austria.

I notice that Romagna skis sublimely, but with his legs bolted together. Surely this style is very passé.

Hotham, however, has a vertical drop of 1,181ft, considerably more than most resorts east of the Mississippi, and 22 lifts. Australia's top six resorts - Thredbo, Perisher Valley, Buller, Hotham, Falls Creek and Blue Cow - have more than 100 lifts between them and an average vertical drop of 1,430ft.

Our last Victorian ski area was Falls Creek. Some still sneer at the idea of skiing in Australia, but Falls Creek, like Mount Buller and Mount Hotham, has a vertical drop of 1,181ft, considerably more than most resorts east of the Mississippi, and 22 lifts. Australia's top six resorts - Thredbo, Perisher Valley, Buller, Hotham, Falls Creek and Blue Cow - have more than 100 lifts between them and an average vertical drop of 1,430ft.

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WeekendFT PINK SNOW QUESTIONNAIRE

On Saturday October 15, the Financial Times will publish the 1994/95 edition of Pink Snow, the indispensable guide to the world's best ski resorts. Here is a second chance for you to have your say in the exclusive list of top resorts that will be compiled from our replies to this questionnaire. But only one entry per person please.

FREE PRIZE DRAW Each questionnaire received will be entered into a free prize draw. First prize will be a weekend for two in Grindelwald, courtesy of Powder Byrne ski company, featuring three days half-board accommodation at the Hotel Huetten and a day of private off-piste tuition from Swiss mountain guide Ueli Frei. And 10 runners-up will each receive a bottle of pink champagne.

SHARE YOUR SKIING EXPERIENCES

We would like to hear about your skiing experiences. Tell us - in no more than 300 words - about your best moments on skis. And if you have any tips for fellow skiers trying to improve their technique, tell us about those too. Send in your replies, with the questionnaire, to the address below. The best may be included in an article in Pink Snow.

Please return your questionnaire to: Ski Survey, Weekend FT, Number One Southwark Bridge, London SE1 9UL.

The closing date for entries is Sunday September 25, 1994. The winners' names will be published in Pink Snow on Saturday October 15 1994. Only one entry per person. The editor's decision is final.

1 How would you rate your skiing ability? Beginner Intermediate Expert

2 In which resorts have you skied during the last five years? (please write in)

(i) (ii) (iii) (iv) (v) (vi)

3 Which is your favourite resort among those you have visited, and why?

Mr/Ms/Ms Forename Surname Street and number Town Country Postcode

4 (a) With which four operators, if any, have you booked a packaged holiday during the last five years? (b) Please rate them for efficiency of service A-D, where A = excellent and D = poor

(i) (ii) (iii) (iv) (v) (vi)

5 Which is your favourite tour operator among those you have experienced, and why?

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FOOD AND DRINK

Wine

Exciting and under £4 a bottle

Wine merchants and consumers should sniff out the south of France, says Jancis Robinson

The south of France is making the best value wines in the world today. Discuss.

Well, where else can you find varied wines with real character and a sense of provenance for less than £4 a bottle? And the exciting thing is that the south of France produces such a large quantity of wine – more than any other wine region in the world – that the number of interesting bottles is substantial, and the potential is enormous.

Take, for example, the two most fashionable white varietal wines, solid Chardonnay and modish Viognier. The Midi may not be able to offer anything with the concentration of a Corton-Charlemagne (Cochet-Dury's 1991 is stunning) or the best Condrieu, but it can field some of the world's better-made examples at the blunt end of wine pricing.

Domaine St Hilaire's Chardonnay 1993, Vin de Pays d'Oc at Oddbins and Le Gineste at Waitrose can

offer full, round Chardonnay fruit with a distinct suggestion of the added interest accrued by stirring the lees after fermentation. Not had for £3.99, although I suspect these wines are best drunk straight off the bottling line.

Viognier 1993 Resplandy, £3.95 from Sainsbury's and another Vin de Pays d'Oc, has, like so many cheaper Viogniers, more than a whiff of air fresher about it, but it has very lively acidity, lots of fruit, and is generally a better bet than the varied market average with this variety.

Perhaps the interest for serious wine lovers is the Midi's ability to

provide carefully made, small domaine, *appellation contrôlée* wines at rock bottom prices. Ch de Cabriac Corbières 1991, £3.45 at Asda, is a good example. Round, full, and generous, it is a fitting memorial to the winemaking skills of the late Bernardette Villars who was consultant there.

Sainsbury's Ch La Vouille Gaspard 1990 at £4.75 comes from one of Corbières' most respected domaines, run by a former plumber with entirely fastidious attention to detail. Full, herby and chewy, the wine is truly representative of this beautiful region, and the 1991 vintage will be a worthy successor.

Faugères 1991, Domaine Marbrères, £4.19 Safeway, is another excellent, deep draught of oak-aged wine from the ambitious Laurens co-operative in the rocky Faugères zone.

There is no shortage of serious estates in the Minervois appellation making sleek reds and increasingly sophisticated whites on a shoe-string. Oddbins has invested in one of the Languedoc's most polished bottlers, Cuvée Trianon, 1991, Villambert-Julien, which can provide that rather *noir* Bordeaux mixture of density and structure with fruit ripe enough to enjoy now that is difficult to find in a red

Bordeaux selling at £6.99.

Both Adams, of Southwold, Suffolk and the Threber/Bottoms Up Wine Rack group have taken a particularly good look at what the Midi has to offer and both the Adams and Bottoms Up lists are worthy of serious study. Domaine L'Hortus makes some excellent red and rosé, and Fiton is once more a potentially interesting proposition.

La Viguerie, of London SW7, also has a fine collection of some of the more obscure southern French wines.

Further east the Grenache grape starts to dominate and many of the reds are a little sweeter and more alcoholic. Grenache Le Radical 1993 Vin de Pays de Vaucluse, £3.25 Oddbins, is a new wave Grenache made in Côtes de Ventoux country just north of Mayle country by an incomer. Full, fruity with high acidity, it is certainly good value, if far less exciting than, say, the dense, Châteaufort-like wines of Ch de Fonsalette from O.W. Loeb, London SE1.

A fair stab at this hefty style for under a fiver can be found at Waitrose in the form of Cairanne 1990 Domaine de la Présidente £4.99. This is absolutely correct Côtes-du-Rhône-Villages with real density, roundness, and lovely, spicy Gren-

ache fruit from the village of Ste Cecile des Vigues.

Meanwhile, Provence is producing more and more interesting red wine, often from blends of Cabernet Sauvignon and Syrah. Domaine de Trévallon, from Yapp Bros of Mere, Wiltshire, showed the way and has yet to disappoint this palate. Now Coteaux Varois wines such as Routas, from Adams and Morris & Verdin and Domaine du Défends are worthy of serious consideration by any serious wine enthusiast, if that is not an oxymoron.

Domaine de Triennes, Les Aureliens Vin de Pays du Var 1992 is £5.99 at Oddbins and the most impressive Provençal red so far from this new enterprise undertaken by two of Burgundy's most admired winemakers.

It is full, rich, dense yet supple and, while not being under £4, certainly does nothing to disprove my thesis that the south of France is where any wine merchant worth his salt should be salting most keenly.

Simple and special ingredients

Nicholas Lander finds shelf space for Richard Olney's new book

No enthusiastic cook with limited space on the kitchen bookshelf will welcome yet another book extolling the virtues of Provençal cooking. Almost every cookery book written today, regardless of the author's birthplace, seems to include a recipe for afoi, grilled vegetables or a *daube* of beef.

Lulu's *Provençal Table* by Richard Olney (Harper Collins, £30, 364 pages) – soon to be available in the UK, is different.

It begins romantically in 1936 when Lucien Peyraud met Lucie (known as Lulu) Tempier in Aix-en-Provence and recounts their subsequent marriage in 1937.

In 1940 they took over her family's vine property, Domaine Tempier, in Bandol, but the second world war imposed its harsh reality. The only food available in any quantity was Jerusalem artichokes and, unsurprisingly, they do not feature in any of Lulu's recipes.

The book describes Lucien's dedication to improving the quality of his wines, now sold around the world, and Lulu's dedication to cooking for family, friends and those fortunate to have found their way to the Peyraud's table.

Lulu's recipes exude an air of simplicity because she is a domestic, rather than a professional, cook. Her leg of lamb on a bed of thyme is stunning but very easy (even if you are cooking on a small oven in your holiday *gîte*) and her recipes for flat vegetable omelettes will please a single diner or a large gathering.

Behind all the menus lies a consistency of method and balance: a thoughtfully prepared *amuse-gueule*, a main course that is there to impress as much with its taste as with the care with which it has been prepared, a well-chosen cheese and/or a light dessert, usually incorporating the freshest fruit.

This book excites on several other levels too. It is fastidiously written



Lucien Peyraud divulges the secret of making vin cuit

by Olney, an American who has lived in Provence for many years and has become a close friend of the Peyrauds.

Gail Skoff has not only taken some inspirational colour photographs but has lovingly resuscitated some black and white pictures from the Peyraud family album.

The book has also been edited thoughtfully.

Many cookery tomes are annoying because the recipes end mid-page. The editor

and skilfully used a series of woodcuts from *Le Trésor de la Cuisine du Bassin Méditerranéen*, published in 1890, to add to its variety. These provide the final special ingredient to a book which should find a place in any kitchen.

Appetisers

Ready rosés

Some rosés for immediate drinking (I have yet to encounter a rosé which improves with age): Côtes du Lubéron Rosé 1993, £3.29 Safeway only, is a Hugh Ryan creation, and very successful too, with attractive Grenache fruitiness, appetising weight and a really dry finish. Bordeaux Rosé 1993 from the L'Orangerie, £3.49 Waitrose, has attractive bite, and is just off-dry. It would make a perfectly respectable lunch wine.

Jancis Robinson

A chance to savour Rajasthani cuisine at The Red Fort, in Dean Street, London, until October 23. Dishes include *safed maas*, lamb marinated in yoghurt and cooked with almonds, coconut and chillies to a white finish, and *dal bati churma*, a meal of mixed lentils, hard bread soaked in clarified butter and sweet, whole wheat marbles. A typical three-course meal will cost around £25, excluding drinks. Tel: 071-437 2115 or 2523. Fax: 071-434 0721.

Jill James

As is so often the case, for entirely unremarkable reasons, the most memorable bottle drunk during a recent visit to Champagne was a still red, a 1987 Mondavi Reserve Pinot Noir from a champagne maker's personal

cellar. Waitrose sells the regular Robert Mondavi Pinot Noir 1991 for £8.95.

It should age every bit as well, although can now offer essence of true Pinot fruit – and is earthier, somehow more ambitiously "Burgundian" than the Falevelle Mercur La Fambrière 1992 at £7.95 which is super-fruity, not to say super-rasperry-like. But since it is Falevelle, which is sipping the American wine critic Robert Parker for his comments on their winemaking practices, I would like to make it clear that I very much enjoyed this splendid wine.

JR

Well worth a visit if you are in south-west London, is Sonny's at 22 Church Road, Barnes. The shop – more like a French *traiteur* than an English deli – and adjacent café are open Monday to Saturday, 10am to 6pm. Dishes such as chicken and chorizo gumbo, char-grilled vegetables, and bread and butter pudding are on sale. Rebecca Mascarenhas stocks the best of everything that is homemade. It makes a handy one-stop-shop for a dinner party. If you are pressed for time, Mascarenhas will plan a menu for you over the 'phone and then taxi it to your home (and send a chef and waiter too, should you need them). Tel: 081-741 8451. Lucinda de la Rue

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Swimming against the tide

Why am I standing in Berkhamstead High Street at 2.30am in a thunderstorm, when sensible people are asleep? In a rash moment I have arranged to spend a day working with my local fishmonger, Wayne Slessor, owner of Aylesbury Fisheries, to find out how he makes such a success of a business in which many of his competitors have been closing down.

Superstores, which concentrate on a limited range of fresh fish, have increased their share of the market and independent fishmongers have found it hard to compete.

Yet in the last 15 years Slessor, who is 35, and his family have created a business which now has three shops, seven market stalls and a steady business in special orders for customers such as Champneys health farm. Sales are more than £1m a year.

I want to know how he has done it. I am also curious about how hard he has to work to afford the new Lamborghini for which he has just traded in his two-year-old Ferrari.

We set out in his van at 2.45am, making brief calls at two of his shops and at his depot to check that the ice-making machines have been working effectively overnight.

At 3.30 we call at Nat Jacobs of Edgeware, a Kosher shop he has recently bought, to check that the overnight deliveries have arrived from the ports and that the shop has been thoroughly cleaned. This shop is run separately from the others, to conform to strict Jewish dietary laws. No shellfish may be stocked and a skilled "blockman" is employed to fillet and prepare fish while customers wait.

The shop, like Slessor's other outlets, has been refitted with white, decorative tiling and stainless steel units to display the fish in ice. It is attractively decorated with preserved fish. It costs about £30,000 to fit out a shop in this way.

It is now 4am and we set off for Billingsgate, arriving at 4.40. The new Billingsgate is in the shadow of Canary Wharf. It is a modern complex with a trading floor of about 40,000 sq ft. The first impression I get is of whiteness. The tiles are white; the polystyrene boxes containing the fish are white; much of the fish is white; and the overalls of the market trad-



A family business: Wayne Slessor, his son Wesley & his sister-in-law Louie Boughey at the Berkhamstead branch of Aylesbury Fisheries

ers and porters are white – though by the end of trading they are stained grey.

The only incongruous note is struck by the Harrods buyer, dressed in a black banker's jacket and black striped trousers. He looks as if he has stopped off on the way to a wedding. But there are no representatives from the superstores at Billingsgate looking for anything out of the ordinary this morning. The second impression is that there is hardly any smell of fish: the ice that keeps the fish fresh and the ventilation system are responsible for that.

At 5am a bell rings and trading begins. Slessor makes his way from one trader to another, checking the quality of the fish and haggling over prices. He can tell, from handling a fish, how long has passed since it was caught, from the degree of rigor mortis.

Crabs are rejected because today they weigh too little in relation to their size. He shows me how to tell a wild salmon from a farm salmon.

Much friendly, loud abuse is exchanged between buyers and sellers before prices and quantities are agreed. Each makes a note in his own book (or occasionally on his sleeve) about the bargain struck. No signatures are exchanged. The speed and informality remind me of the old trading floor of the Stock Exchange.

Slessor also distributes cheques in payment for fish bought the previous week. In 45 minutes he spends £15,000. Half of his produce comes from Billingsgate, the remainder direct from the ports – much of the latter being for his Kosher outlet.

By the time we return to his van, much of the fish has been brought by porters to the rear of the vehicle. We start to load it and, while we do so, further deliveries arrive. It is hard, physical work. Lifting boxes which can weigh more than 80lbs – a fully grown tuna is longer than a small car.

It is now 6.30, about the time I would normally be waking up. We make deliveries to the shops, the managers having arrived by 6.30. By 9.30 the shops have received their deliveries and I am exhausted. Slessor heads off to make deliveries to two of his stalls.

He has built an expanding, profitable business in the face of supermarket competition and has made a substantial fortune. How has he done it?

First, through hard work. He first began to sell fish (and meat) in his teens, putting in a full day as an engineering apprentice at Vauxhall, selling his produce in the evenings and at weekends. He also attended evening classes to learn about retailing fresh produce. Now that he works for himself he leaves home at 2am three days a week. On those days it is normal for him to work a 15-hour day.

Secondly, he knows his customers. No two shops or stalls have the same mix of products. Some sell mostly cod and plaice, some do better with exotic species.

By judging his markets carefully sells up to 75 per cent of his produce on the day of purchase. He therefore has no money tied up in stock and has never needed a bank loan.

Finally, he emphasises the importance of his family to the

enterprise. His wife, Michelle, has worked with him since they were both in their teens. Of the 10 people employed in the business, six are close relatives who, like him, are prepared to work unsocial hours and can be trusted not to pocket the takings in what is almost entirely a cash business. He is also fortunate in having secured the services of experienced staff from businesses he has bought.

The biggest single constraint on the expansion of the business is likely to be difficulty in recruiting staff with the knowledge and commitment required to work in a rewarding but tough business.

In the 15 years Slessor has been in business 10 per cent of fishmongers have closed. Slessor has bucked the trend towards superstores and is seeking further sales from which to trade. He has certainly earned his Lamborghini in my book though I cannot imagine when he finds time to drive it.

■ Aylesbury Fisheries: 0442 842416
■ Stephen Halliday is Principal Lecturer in Small Business at Buckinghamshire College Business School, Brunel University.

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Cotswold dealers see the light

After four hard years, Antony Thorncroft finds that optimism is returning to the antiques trade

After four years of chill winds and battered down batches, the first rays of sunshine are brightening the lives of the Cotswolds' 60 or so serious antique dealers. The recovery in demand is still described as "sporadic" but most dealers are more relaxed about the future. One of the largest, Jack Baggott of Woolcomber House, Stow-on-the-Wold, says: "I will be making my first profit for three years."

The Cotswolds is easily the biggest antiques centre in the country outside London. It is also the pleasantest to visit. The charm of the country is a big factor in persuading dealers to set up shop there and customers, both dealers and private collectors, to trawl around the clusters of shops in Stow and Burford, and the good showings in Broadway, Cirencester, Witney, Moreton-in-Marsh and the smaller villages.

In some sectors, such as oak furniture, there are probably more fine pieces on offer than in London. And because the operating costs of Cotswold dealers are lower than their London rivals, their prices tend to be more attractive.

Anyone interested in antiques, especially for home

decoration, but over-awed by London dealers and the auction rooms, can find a wide range of antiques, mostly costing less than £5,000, in the Cotswolds. Most dealers will also negotiate on marked prices, but only within 10 per cent.

This year demand has picked up, even in July and August - usually quiet months when the towns and villages are crawling with tourists who clutter the shops but usually do little more than browse. This year, though, some actually bought.

Private collectors, who in the past decade have replaced dealers as the main customers, have recovered their confidence. An important factor has been the increase in house sales in the region, particularly in the upper price range. People buying a new home tend to refurbish, and they like the country furniture which is available readily in many shops.

Some of the houses will have been sold by hard-hit Lloyd's Names, but expectations that these would dispose of their art and antiques to a trade desperately short of fine items have not materialised. Lloyd's has hit the Cotswolds mainly by depriving dealers of regular buyers.

Of course, many dealers like

a moan and, with trade improving, their grievances are directed now at grasping and unsupportive bank managers who continue to raise charges; spiralling business rates; and the shortage of good stock. Certainly, dealers must work harder - by touring the UK and abroad; by cultivating clients in the hope these will sell back items; and by attending obscure auctions - to ensure that they can re-stock with quality goods.

It is not surprising that, with real incomes rising, there should be an improvement in demand. But many dealers are sounder financially because of their success in cutting costs. Stephen Jarrett of Witney Antiques, who has one of the finest stocks of 18th century (and later) furniture in the area, has managed to reduce operating expenses from £280,000 a year to £190,000.

Others, like Robin Shield, have given up their shops (he used to operate in Burford) to trade from home - in his case, Cricklade. But dealers are still attracted to the Cotswolds. In Stow, which has more than 20 antique shops, numbers have been swelled recently by the arrival from London of Arthur Seager, who concentrates on pre-1800 furniture and carvings, and Roger Lamb, who covers the field of decorative items.

Both are delighted with their move. Seager swapped a Kensington lease for a Stow freehold and saw his costs fall 20 per cent. He is one of the dealers who locks his door against casual callers: he relies on his regulars, many of whom are American collectors who appreciate a pair of 18th century carved wooden heads for £2,200; an early-18th century tavern settle for £1,250; and a cosy Elizabethan farmer's chair for about £13,500.

Lamb has turned over his stock since February. He concentrates on small, decorative antiques, all priced below



"The Grand Canal", by John Linfield, one of the watercolours of Venice to be shown at the Stow gallery of John Davies on October 19

£5,000, such as a Regency chiffor for £2,000 and a games table at the same price. Both show off well in the homes of his principal customers, the weekend country cottages of the wealthy.

Costs apart, the Cotswold dealers have survived better than London during the recession partly because they are happy with more modest margins (30 per cent and sometimes less) and partly because many concentrate on furniture. "Demand is still outstripping supply in English furniture," says Baggott, although it is only the finest pieces which command the premiums. Even so, he reckons prices have not moved up in the past year.

Baggott has a huge stock, of almost 5,000 items, mainly priced between £1,000-£5,000. At the moment buyers want useful furniture, like the Willow

pedestal desk priced at £2,850, and the circular, Coalbrookdale garden seat, which rings a tree, priced at £3,450.

Like many dealers, he regrets the disappearance of good 18th century walnut and Chippendale pieces. Prices for them at auction can be so high that, by the time a dealer has smelted up an item, there is no profit in it. Few local buyers like to venture above £10,000.

Those that do, end up at Witney Antiques, which carries a stock that rivals London's Bond Street. On offer now are a magisterial pair of Regency desks made by Gillow, priced at £58,000. This is exceptional, though. As a sign of the times, Witney Antiques is seeking a wider market, and most items now cost less than £25,000, such as an attractive group of four tables that slip beneath

each other and carry a £5,500 tag.

Among the specialist Cotswold shops, Manfred Schotten in Burton has one of the widest ranges of sporting antiques in the UK. One of the smallest items for sale at present, a feather golf ball of around 1940 made by James Gourlay, is one of the most expensive in the shop at £7,500; while one of the largest items, a late-19th century full-sized snooker table, is priced at £3,000. Here, you can find enticing presents for sports-mad partners: late-Victorian golf clubs at £188 (and Edwardian at £35); Victorian tennis rackets for £145; and 1930s' cricket bats for just £45.

Across the road is another specialist, Richard Purdon, who sells rugs and carpets - the genuine, pre-1900 articles, not modern substitutes. This market has received a new

lease of life with the disappearance of the Soviet Union. Many fine rugs and textiles are now coming out of places like Uzbekistan. Purdon is offering a fine, colourful Uzbek coat for £350; he sold an even better one to the US for £3,000.

Purdon goes for a small profit and a quick turnover, and his prices rarely climb above £10,000. An exception is a fine Bijar carpet on offer at £14,500: he bought it from a local family which had acquired it in 1979 for £4,000 - so proving that many antiques, even those you walk over, appreciate in price.

There are not many specialist picture dealers in the Cotswolds but, just outside Cheltenham, The Priory offers decorative late-19th and early-20th century art, while John Noot and Richard Hagen of Broadway trade in similarly popular works. Noot has just opened a third outlet inside the Lygon Arms hotel.

In Stow, the biggest gallery belongs to John Davies. He has adapted to the more selective market by adding limited edition prints to his stock alongside works by Dorothea Sharp and Harold Harvey, now on offer well below their 1989 sale-room peaks of £80,000 or so.

On October 19, Davies is showing watercolours of Venice by two respected artists, David Gluck and John

Linfield, priced between £350 and £2,500.

Typical of Cotswold premises overflowing with every conceivable antique, from Victorian snuff boxes to Georgian dressers, are Rankin Taylor in Cirencester and Jonathan Fyson at Burton. Leslie Taylor has crammed her shop with items she likes, ranging between early glasses from £8 to a leather-covered chair of around 1680 priced at £1,250. Fyson likes to turn over his stock four times a year. Among his curiosities is a collapsible oak table of around 1800 used aboard ship; price £3,000.

Other shops are more severe. Keith Hockin in Stow loves early oak, and here you can buy 18th century candle boxes for £300 or less; large pewter flagons for £2,000, and an 18th century wine bottle from All Souls' common room for £35. And back in Cirencester, at William H. Stokes, you get equally early items aimed at the higher end of the market. He is offering, for £22,500, a 1580 table which he sold 25 years ago for £1,900.

People now know that antiques can be a good investment. But their real attractions are that they are beautiful, often useful, and cheer up a home. Equally pleasurable is hunting for them in a region as quintessentially English as the Cotswolds.

RICHARD GREEN



Alfred Sisley (1839 - 1899), *Boulevard, Signed and dated 78*
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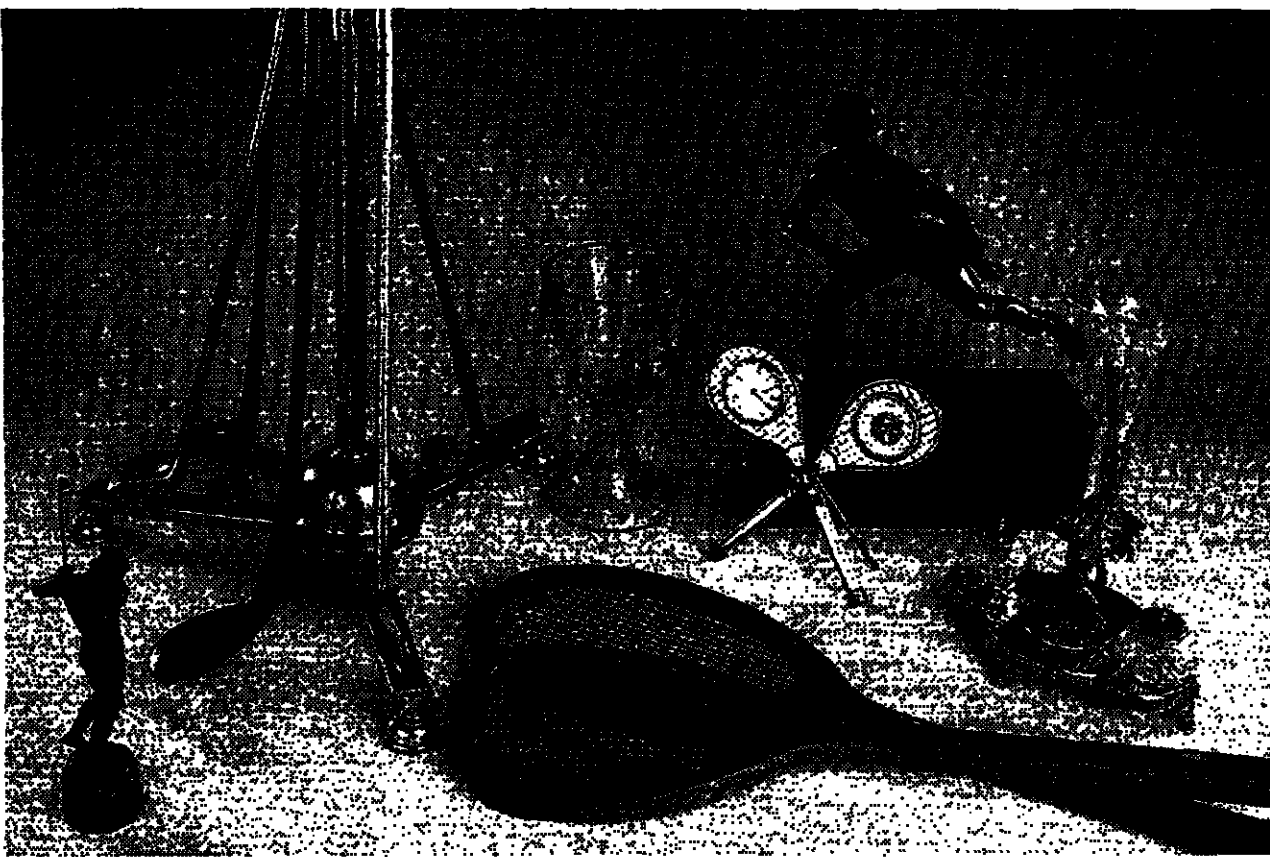
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A selection of the items on offer at Manfred Schotten's shop in Burton. He has one of the widest ranges of sporting antiques in the UK

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ARTS

Excellence is the only criterion

A prize like the Jerwood was long overdue, says William Packer

Yet another prize for artists may seem old hat, but the institution of the Jerwood Painting Prize is something of an event.

In the first place, an award of £50,000, winner takes all, ups the ante quite a bit. Outstripping the Turner Prize by 50 per cent, this has persuaded an extremely strong field to declare itself.

Unlike the Turner there is no waiting upon nomination by the art world's great and good - if you think you are up to it, you can have a go. Nor is there any nonsense about age limits: not least of the Turner's present failings, some would say, is its high-minded commitment to artists under 40 - as though they need encouragement. With the Jerwood Prize, the only rule is that entrants must have been working in the UK for the past 10 years.

But what really makes the Jerwood special is that it is a painting prize, its criterion the simple rubric of "excellence in modern British painting". The Turner Prize, on the other hand, has in recent years so apparently become the preserve of the sculptural and conceptual avant garde - this year the shortlist features two sculptors, a video-installation artist and one painter. The UK has as varied and vigorous, serious and mature a community of painters as any in the world, but to see what is shown of it abroad, you would

hardly know.

There are, of course, several other well-established open-submission awards for painting, such as the John Moores and the Hunting Prize. However, being based on the principle of selecting an exhibition first and then finding a winner, they are very different.

In contrast, it really seems that the Jerwood is setting out to select a single painter from among his or her peers as the most distinguished in any year by virtue of sustained achievement and a substantial body of work. The nettle has been grasped at last.

The 250 entrants were reduced by the jury to 12, each of whom was visited before the final shortlist of six was established. Those six supply the Prize Exhibition, which was shown at the Royal Scottish Academy during the Edinburgh Festival, and opens on Monday at the Royal Academy in London. The winner will be announced on September 21.

Together the six artists embrace a range of what, without any condescension, we can call current mainstream modern painting. There is no conceptualism, nothing programmatic or polemical. It is work that by not being self-consciously avant garde, does not readily receive its critical due.

One of the painters is still young, three are middle-aged, a couple are getting on a bit. Two are abstract - John Hoy-



Eve by Euan Uglow: a long underestimated artist, he can measure himself against the great European figurative tradition

land with his expansive expressionism, Yuko Shirashi with her restrained, minimal colour fields. Maurice Cockrill is an expressionist too, but one whose work is abstracted rather than abstract, his figures now subsumed within an organic, invented landscape.

The other three are out-and-out figurative painters, but of very different sorts. John Lessore creates low-key and loosely stated figures and interiors. Craigie Aitchison's colour is pitched high and decorative, his figures schematised and symbolic. Euan

Uglow, is committed to an exact and disciplined scrutiny of the model.

Had I been on the jury, I may have chosen others from the 12, but only one or two. I have to say what a relief it is to confront a shortlist that is entirely acceptable. There is no token presence and each artist has a chance of winning - well worth a punt.

Shall I mark your card? Cockrill started his career late and has finally emerged as a mature and significant painter, which he has been threatening to do for some years now. He is certainly in the frame. But Euan Uglow must be the clear

favourite. Why he does not have an international reputation is no mystery, but it is a scandal. Though an artist of a very different kind, he is the one painter of the figure working today who can match Lucian Freud in measuring himself, beyond mere modernism, against the great European figurative tradition.

The Jerwood Prize Exhibition: Royal Academy, Piccadilly W1, until September 28; Prize sponsored by The Jerwood Foundation and the Sunday Telegraph in association with Modern Painters.

The rhythm of life after Stalin

Martin Hoyle on a finely written but overly-cosy play about genius

The ice on the Neva cracks with the resonance of fine writing - French writing, to boot, than which there is none finer. The poetries come up like thunder.

Black Sail White Sail, playing at the Gate in London's Notting Hill, is that tricky thing, a play about intellectuals written by a cosmopolitan Francophone with a thing about "feminine writing". Not feminist, mind you, but something subtler and deeper, to do with basic rhythms.

It is also about genius - another trap for the over-confident writer. How do you express genius without sounding like a press release, a book-jacket blurb or a *Reader's Digest* "Most unforgettable character I ever met" article?

You could do worse than get Donald Watson to translate from the French. Tact, sensitivity, and extensive practical experience of the theatre mark his version of *Helene Cixous* play. This does not, however, quite efface the impression of self-conscious monologues, or negate the slightly laboured superimposition of the heroine's poetic gifts on to an everyday story of post-Stalinist folk.

The play deals with the poet Anna Akhmatova (1889-1966), for many years an unpublished cultural outsider, two of whose husbands disappeared and whose son was interned in a labour camp.

After Stalin's death came the thaw - of a sort. Significantly the play begins with Anna, played by Klka Markham, gathering firewood with Nadezhda, widow of the writer Osip Mandelstam, as the frozen river splits with the onset of spring.

Disappointments and frustrations await her before some semblance of recognition and restitution, due not least to her own stubborn refusal to compromise with the literary authorities' required cuts, omissions and general censorship of her poetry.

The play is a hymn to endurance in apparently hopeless conditions, to a struggle for survival so basic as to be barely distinguishable from death: "Committing suicide to live," as Anna puts it. The light it casts on the old regime in Russia is fascinating: the pervasive paranoia that prevented poets from writing down their works, instead

enlisting friends to memorise them - and the funny, sad dismay when author and confidante find they have forgotten lines, like failing to remember what a loved one looks like after a long absence.

Anna lives in a room separated from a communal cooking area only by a curtain, behind which sits a nosy neighbour (aptly nicknamed Polonius) who eavesdrops, goes through Anna's things, dabbles in the black market and eventually becomes something of an ally.

The poet's chief friends are Lydia, an eagerly helpful go-between with contacts, who spends her time championing Anna's cause with publishers, and Nadezhda, with whom she argues over the authorship of some poems - did Anna write them, or the late Osip? The puzzlement seems genuine in this shadowy world of disowning one's creative progeny for its own good.

Mia Soteriou makes Lydia rather touching, not least when, loyalty strained, she rebels against Anna's imperious demands. No genius, as she admits, Lydia still "her small corner needs a life of her own". Her revolt fails to ring entirely true, since Markham's Anna is simply too nice for the cantankerous unreasonableness of genius depicted. A woman as pleasantly straightforward as this would have lacked the resilience to survive in a world where she had to resort to placing the old hair in a book to let whether her private possessions had been disturbed by a stranger.

Sue Parrieh's direction makes this a soft-centred, almost cosy world, surely the last thing intended, though the author's prolixity, more intellectual than theatrical, must take much of the blame. The curtains of Iona McLeish's set, white with slashes of black, evoke the birches of Mother Russia - hinting at a prison-camp palisade as much as a lyrical backdrop.

Gate Theatre, Notting Hill until October 1

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CHRISTIE'S

Proms record

The 100th season of BBC Henry Wood Promenade Concerts, which ends at the Royal Albert Hall tonight, has been the most successful ever: attendances for the 68-concert season averaged 86.4 per cent - the highest since records began. Over half the concerts achieved more than 95 per cent ticket sales.

The programme for tonight's

traditional Last Night celebrations includes Bach's *Toccata and Fugue in D minor*, Walton's *Belshazzar's Feast*, and Vaughan Williams's *Peter and the Wolf*. Andrew Davis conducts the BBC Symphony Orchestra, BBC Singers and soloists Evelyn Glennie, the percussionist, and Bryn Terfel, baritone.

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Sun 11 Sep 7.30	CLASSICAL GALA NIGHT with fantastic line-up display. Inc. Ch. Williams, T. Chorus of Hebrew Slaves, Pomp & Circumstance. Soloists: David Mervin, Peter of York, Victoria, Norman Corbett, 1812 O. C25, £22, £18.50, £13.50, £8.50 Raymond Gubbay
Tue 14 Sep 7.30	ROYAL PHILHARMONIC ORCHESTRA Sir Charles Mackerras Inc. Helen Field, Jean Rigby, Philip Langridge, David Thomas. Brighton Festival Chorus. Mozart Requiem; Janacek Glososki Mass. C27, £21, £16, £10, £5
Thu 15 Sep 8.00	MYSTICAL SUFI MUSIC FROM IRAN An evening of traditional Persian and Kurdish music C22.50, £18.50, £17.50, £15, £12.50, £10, £5
Fri 16 Sep 7.30	PACO DE LUGA & SEKREY Bringing innovation and a rich new language to the guitar, he has long been a living legend; hailed as King of the Guitar & post of the air strings. C22.50, £17.50, £15, £11, £7.50 A Evans/Sasa Music
Sat 17 Sep 7.45	QUEEN ELIZABETH HALL The London Philharmonic Orchestra, Frank Relloch (conductor) Alma Henry (contralto) & Andrew Fry (piano). Vireo prod inc. "IFFCARE" Lloyd Webber & Kitchener. C13, £10, £8, £5
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Sun 18 Sep 7.45	MARK SWARTZENTRUBER (piano) Beethoven Suite No. 3; Schubert Sonata, D.956; Debussy Etapes (1905); Liszt Les cloches de Genesve. Au bord d'une source; Valse d'Obereimann. C12, £8, £5
Thu 19 Sep 7.45	ALISON KRAUSS & UNION STATION A virtuoso fiddle-player who can make traditional bluegrass seem utterly contemporary - a rare accomplishment at any age (Rolling Stone). Agard
Fri 20 Sep 7.45	NEW LONDON CONCERT Philip Pickett, Matteo Fecchi Les Ensembles. These six brilliant vocal works brilliantly combine secular folk-song, church music, country, party-song and negro song - Free Foyer. Tickets from 5pm. C20, £18, £12, £5

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BOOKS

A balance sheet on Terry Maher - founder of Pentos, iconoclastic creator of Dillons Bookstores and now autobiographer - might read somewhat as follows.

On the credit side, Maher merits respect as a high-flyer propelled by sheer talent. He is the classic poor boy made good: humble beginnings in Manchester, compounded by childhood TB, offered an unpromising start, but once his foot was on the business ladder he climbed fast - and would have done so in politics too, except that he chose the Liberals. Two unsuccessful efforts as a parliamentary candidate inclined him to accept a head-hunter's offer in the City; in two years he had launched Pentos.

Daring and finesse helped Pentos's success but there were ups and downs, the latter mainly associated with recessions. Pentos evolved from an eclectic holding company into a specialist retailer, with Dillons Bookstores as its jewel. The growth of Dillons from a single university bookshop to a highly visible nationwide chain was spectacular. In much of this there was high skill on Maher's part, especially in brilliant marketing and some novelties of financial management, justifying his colourful reputation.

Experience has given Maher a sharp eye. Many will applaud his comments about the unhelpfulness of banks. City short-termism, inflated commercial rent levels, and the fact that too much money channels into pension funds, starving smaller companies of investment. The debit side brings more recent events into focus. In September last

Balancing Terry Maher's books

A.C. Grayling assesses the rise and fall of the man who built Pentos

AGAINST MY BETTER JUDGEMENT
by Terry Maher
Stieglitz-Stevenson
£15, 222 pages

barely anything of his personal life in it - and although its aim is to vindicate the Maher side of the Pentos saga, it is agreeably less vaunting in one direction, and less bitter in the other, than it might be. After all, there are Shakespearean elements here: ambition, success, hubris, betrayal by friends, failure. Others can judge Maher's business adventures, but a book reviewer must be forgiven for con-

centrating on what he takes to be the largest item in the debit column: Maher's attack on the Net Book Agreement, the arrangement by which booksellers charge no less than the publisher's cover price.

Some markets benefit from constraint, and some are better without. In Maher's opinion the book trade falls into the second category. "The NBA," he argues, "prevents us from exploiting the full potential from expanding book sales; has kept book prices unnecessarily high; and has propped up inefficiencies in the book trade." He wants to pile 'em high, as the phrase has it, and sell 'em cheap.

Defenders argue that if the NBA goes, price-cutting retail superstores of the kind invented by Maher will undercut small bookshops. The range of books will narrow into the bonkbuster and cookery parts of the spectrum, and there will be fewer titles ("a good thing," Maher opines). Small publishers and small-circulation, specialist, literary and recondite books will be squeezed to vanishing.

The NBA maximises choice by maximising the number of books, publishers and book shops available, which is why almost all authors, publishers, booksellers and - when informed - readers agree with the 1964 decision of a restrictive practices court that the NBA

serves the public interest. If it goes, impoverishment of the book world will result, and not even the superstores will benefit for long.

The French abandoned their version of the NBA in 1979, only to restore it in 1981, aghast at the effects. In the US there is no NBA, with stark results: only big second-hand city shops give genuine range, while university bookstores are echoing halls stacked with teetering piles of pre-ordered textbooks. Thirty per cent fewer books are published in the US annually than in the UK, in spite of its vastly larger domestic market; and the UK exports more.

To their immense credit W.H. Smiths-Waterstones supports the NBA because it recognises that it keeps diversity in books and book-selling alive. But Maher, alas, might have done enough to take the book world down with him in his own plunge from the heights.

Flashes of sunlight from America's finest novelist

J.D.F. Jones reviews Saul Bellow's non-fiction work

We can take it, I assume, that Saul Bellow is the finest living American novelist. (A colleague has just said to me, "I simply can't read him". Fair enough. We can agree, nevertheless, that Saul Bellow is the finest living American novelist.) He's getting old, of course, and there's a whiff of farewell in this - first - collection of his non-fiction writing.

The selection of pieces in *It All Adds Up*, which their biographer says is "not a reliquary but a gathering" of "the trifles I wrote to support myself", is rather odd. Why, for instance, has he chosen to start with what are surely the less impressive essays? We have a chat about Mozart, some memories of Chicago in the Roosevelt era, a few thoughts about Khrushchev in New York, a recollection of Paris in 1948, a portrait of an elderly Mid-West con-man, an interview with himself (never a good idea), the necessarily high-minded Nobel Prize lecture of 1976, and some more memories of pre-war Chicago, including the surprising news that Bellow was in Mexico when Trotsky was assassinated, with an appointment to see him the next day, instead of which he went to see the bloody body. I was beginning to think my colleague might be right about the non-fiction.

Then, suddenly, the sun breaks through with the Jefferson Lectures of 1977, and all is well. Here the combination of memory and reflection works triumphantly. Like this, for example: "On winter afternoons when the soil was frozen to a depth of five feet and the

Chicago cold seemed to have the headhunter's power of shrinking your face, you felt in the salt-whitened streets and amid the spattered car bodies the characteristic mixture of tedium and excitement, of narrowness of life together with a strong intuition of scope, a simultaneous expansion and constriction in the soul, a clumsy sense of inadequacy, poverty of means, desperate limitation, and, at the same time, a craving for more, which demanded that 'impractical' measures be taken. There was literally nothing to be done about this... The only remedy for it was to read and write stories and novels..."

IT ALL ADDS UP
by Saul Bellow
Secker & Warburg
£20, 327 pages

From which it is a short step to Bellow's conclusions about the role of the writer and artist in America today, where the degradation of modern urban society, the abasement of man, is the price paid for the economic and technical success story of the century. On the way we get a glancing rebuttal of Hemingway and what John Berryman called his "moral vacancy" - "Hemingway's dignity in the face of nothingness is not a negligible conception... But 'moral vacancy' is nihilism, and nihilism acknowledges the victory of the bourgeois outlook... Other responses may be possible."

Bellow goes on: "There is no human life without the attachments that we express in words like 'good', 'moral',

'just', 'beautiful'. The restoration of these connections is to be undertaken only out of the soul's recognition of their necessity... It will begin when the intellect confirms what the soul desires..." There speaks the creator of Herzog, Henderson, Mr Sammler and the rest.

Now at last we get Bellow the reporter and traveller. Spain in 1948 where he witnessed a political trial, Paris (and Hemingway again - I admit without limits: Hemingway the figure was to my mind the quintessential tourist), the Six-Day War, Vermont and Illinois, obituaries of friends such as John Cheever.

And finally, a good and long interview from *Bostonia* magazine in 1990, full of fascinating autobiographical revelation and quick, flashing insights, as Bellow the young Marxist begins to see his life as "a process of revision, of the correction of errors" - a process, he assures us in the preface, which is still going on. This interview serves to draw proper attention to the importance of *The Adventures of Augie March*, and Bellow's discovery that it was necessary to move on from the English mandarin model - "I wanted to invent a new sort of American sentence. Something like a fusion of colloquialism and elegance... Street language combined with high style".

There is nothing in this volume to convey to the stranger, or the sceptical colleague, the magnificence of Bellow the Novelist's portrait gallery of characters, but for the initiate it will be a necessary addition to the bookshelf.



Tennessee Williams in a languid mood on the beach in Postano: from "Visual Journeys", a celebration of the life and work of photographer and traveller Roloff Beny (Thames and Hudson £30, 265 pages). Beny, a flamboyant Canadian, photographed landscapes, architecture and antiquities all over the world. He also candidly captured public figures - including Laurence Olivier, the Duke of Windsor and Jean Cocteau - in private moments.

Fiction/Joan Smith

Killers with literary aspirations

DAN LENO AND THE LIMEHOUSE GOLEM
by Peter Ackroyd
Stieglitz-Stevenson
£14.99, 382 pages

FELICIA'S JOURNEY
by William Trevor
Viking
£15, 213 pages

marked by lists of food, is an undetected serial killer whose victims also come in lists: Beth, Jackie, Sharon, Bobbi, Elsie and Gabe. Mr Hilditch fixes on the destitute and desperate Felicia as his next victim.

What is so troubling about *Felicia's Journey* is not the banality of its characters: serial killers often lead unhappy but otherwise unremarkable lives, as do their victims. Its fault is transparency, a painful sense of the novelist's imagination at work, struggling to convey characters whose feelings elude him. Hence the lists, a device which

seems intended to reveal personality but in the end substitutes for it. Trevor's fiction has increasingly moved in this direction, possibly because the products

of his imagination belong in the past and cannot comfortably inhabit contemporary life. His few Irish heroines are decades out of date and in Felicia's Journey he falls back on repeating himself, introducing a sub-plot and a set of minor characters uncomfortably similar to those in his 1971 novel *Miss Gormer and the Brethren*. Where *Felicia's Journey* leaves an impression of surfaces barely touched, Peter Ackroyd's new novel is a pyrotechnic display which delights in tricking the reader into conflicting emotional responses. Its apparently sombre opening, the hanging in Camber-

well prison in 1881 of a woman convicted of her husband's murder, is immediately undercut by a macabre, pantomime detail: the prison governor takes home the dead woman's gown and dresses up in it, presumably to aid masturbation.

Ackroyd's plot centres on a series of bizarre and brutal murders in the East End of London, culminating in the slaughter of a family in the Ratcliffe Highway. These final murders take place in the very house where, in 1812, the real-life Marr family was attacked and killed. Ackroyd's sly mixing of fact and fiction has an

extra dimension if the reader knows that the Ratcliffe Highway murders were the subject of a true crime book co-authored by the novelist P D James.

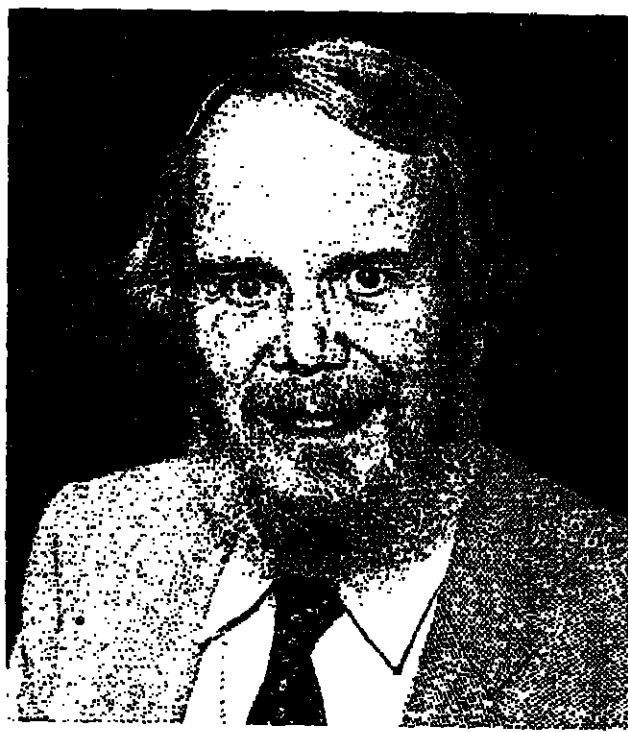
Ackroyd's novel is brilliantly ventriloquial, taking the form of diaries, court transcripts and fragments of autobiography. It is a performance in the best sense of the word, an imagination so excited by its own confidence that it dares go to the very limits. Ackroyd also understands a crucial point about the serial killer in fiction, which is that in this genre Grand Guignol works better than gritty realism. *Dan Leno and the Limehouse Golem* pokes fun at the stuffer conventions of the crime novel and creates a murderer as mad, and bad, and as unlike real life, as Harris's Hannibal Lecter.

At first, the accumulation of such precisely drawn observations may seem too crammed with facts, too grillingly resistant to any escape into the purely poetic. But reading on, one realises that these are the details of a mosaic, the cumulative effect of which adds up to a large scale picture of the two families concerned - and of other characters - against the geographical and historical background of Europe in this century.

An epic is supposed to have a hero but the chief character here, Eliot Raine, a doctor, interesting as he is, and masterly as is Raine's translation of his medical skills into his poetic terminology, scarcely strikes me as being on the heroic scale. Indeed a lesser, rather inexplicable character called Romiger, who makes an adventurous and largely disastrous journey from East to West and ends up dying in Oxford, seems to me to have more the makings of a hero than any of the Pasternaks or the Raines.

The poem does not quite establish members of these two families as being on the epic scale. If Pasternak is accepted as such this is perhaps because literary history has already perceived him as such. Yet out of this highly personal material, Raine creates a fascinating world that I feel I will return to again and again.

Stephen Spender



The view from Macclesfield: Brian Redhead, Englishman and regionalist

The badger in his sett

Malcolm Rutherford reviews the writings of Brian Redhead

Brian Redhead may have been a radical broadcaster, he was a very conservative man. For long the unmistakable anchor of the BBC Radio 4 programme *Today*, he helped to instill badgering as an accepted way of asking questions. Yet, as badgers go, he was a friendly beast and, as we now discover, he put a lot of his thoughts on paper.

Redhead died early this year. Instead of a formal biography, his family has put together a series of articles which he produced over the last decade for the relatively obscure magazine, *Saga*, a monthly for elderly people.

One point about him in *Personal Perspectives* comes out immediately: his Englishness,

and the regionalism within it. "We are a mixed lot," he wrote, "Celts, Romans, Saxons, Danes, who have managed to get along over the centuries. When the Normans came, imagining that they had conquered, they were simply absorbed." And again, in a perceptive remark, "history is what people make of their geography".

Redhead was fascinated by everything to do with English history: to some extent the more remote the better. He has a charmingly erudite piece on whether or not his adopted home of Macclesfield was part of Mercia, in other words, which came first, Mercia or Macclesfield?

He was equally at home in the 19th century partly

PERSONAL PERSPECTIVES
by Brian Redhead
Andre Deutsch
£14.99, 244 pages

because it brought the development of the railways. If you want an account of how the president of the board of trade, William Huskisson, was killed while opening the Liverpool-Manchester line in 1825, here is a source. On the other hand, even Redhead was not quite sure of the first genuine passenger line: Stockton-Darlington or Merseyside? Passengers from Stockton, he thinks, were initially drawn by horses.

Redhead liked Crewe Junction, where at one stage you could get a train to every part

of the kingdom. Some of his best stories were told on the rails. On the way to Macclesfield he gave a young man the history of Cheshire which ultimately - because of the county's salt deposits - led to the founding of ICI. The man turned out to be an ICI recruit.

Why Redhead forsook his native north east, where as he describes, he had an excellent education at Newcastle Royal Grammar School and was put on the fast track to read history at Cambridge, for the north west is never fully explained.

Yet it was the north west that held him. In terms of journalism Manchester was, in Redhead's words, "for 90 years the other end of Fleet Street". He liked the cheeky northern

editors who could tell the London men where to get off and what was front page news in the real world.

So it remained on the *Today* programme. Redhead never really liked the south. Abroad, even Scotland, was foreign to him, though he did go to Beijing and hired a bicycle and was much taken by Virginia in the US.

Possibly some of that plain blunt man stuff was affectation. At times he could be a trifle pompous: "I received a letter from a friend who is a historian at Oxford. His father was a historian at Cambridge and taught me". It contained some esoteric fact about the monarchy which Redhead did not know: "So I instantly informed the nation".

Yet he could also be humble, as when he recalls Mark Twain's remark on April Fool's Day: "This is the day upon which we are reminded of what we are on the other 364." Here is a delightful collection of essays.

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SPORT

The Olympic movement is poised for profound changes. Last week the International Olympic Committee held its centenary congress in Paris. The constitutional changes and elections that took place give some clues to the future of the IOC.

President Juan Antonio Samaranch stands down in 1997. The succession may well have been settled by the voting last week in the hotels of La Defense.

Primo Nebiolo had, on the face of it, a good week. The widely-feared emperor of track and field, officially described as President of the International Amateur Athletic Federation, saw the rules change to his benefit and the IOC admit a new cadre of potential supporters. Making all members, elected or appointed, eligible for every office gives an opportunity to the Monte Carlo-based capo to stand for the top job three years from now. Bringing 10 presidents from international sports federations on to the IOC gives Nebiolo an additional voting bloc.

Samaranch is 74, three years older than the Italian. He will almost certainly leave it to ASOIF, the association of 27 summer Olympic sports, to choose the nominee. Nebiolo, also President of ASOIF, has controlled this organisation ruthlessly for a decade. His power is both patronage and the allocation to individual sports of millions of dollars in revenues trickling down from Olympic headquarters in Lausanne.

"Primo will do anything to ensure that these men owe their place on the IOC to him and no other factor," said one administrator who has known Nebiolo for 20 years. "When he gets them the job he'll give them the speech. 'I want one thing in return, my dear friend, your total loyalty. When I come to you in need, then you must help me.'"

Those two phrases, "my dear friend" and "help me", uttered in an accent horribly reminiscent of Marlon Brando in *The Godfather*, chill anyone who has had dealings with Nebiolo. In the 1987 Rome scandal over the cheating Italian long-jumper Giovanni Evangelista, Nebiolo was able to draw on the support of three IAAF council members who owed their President everything.

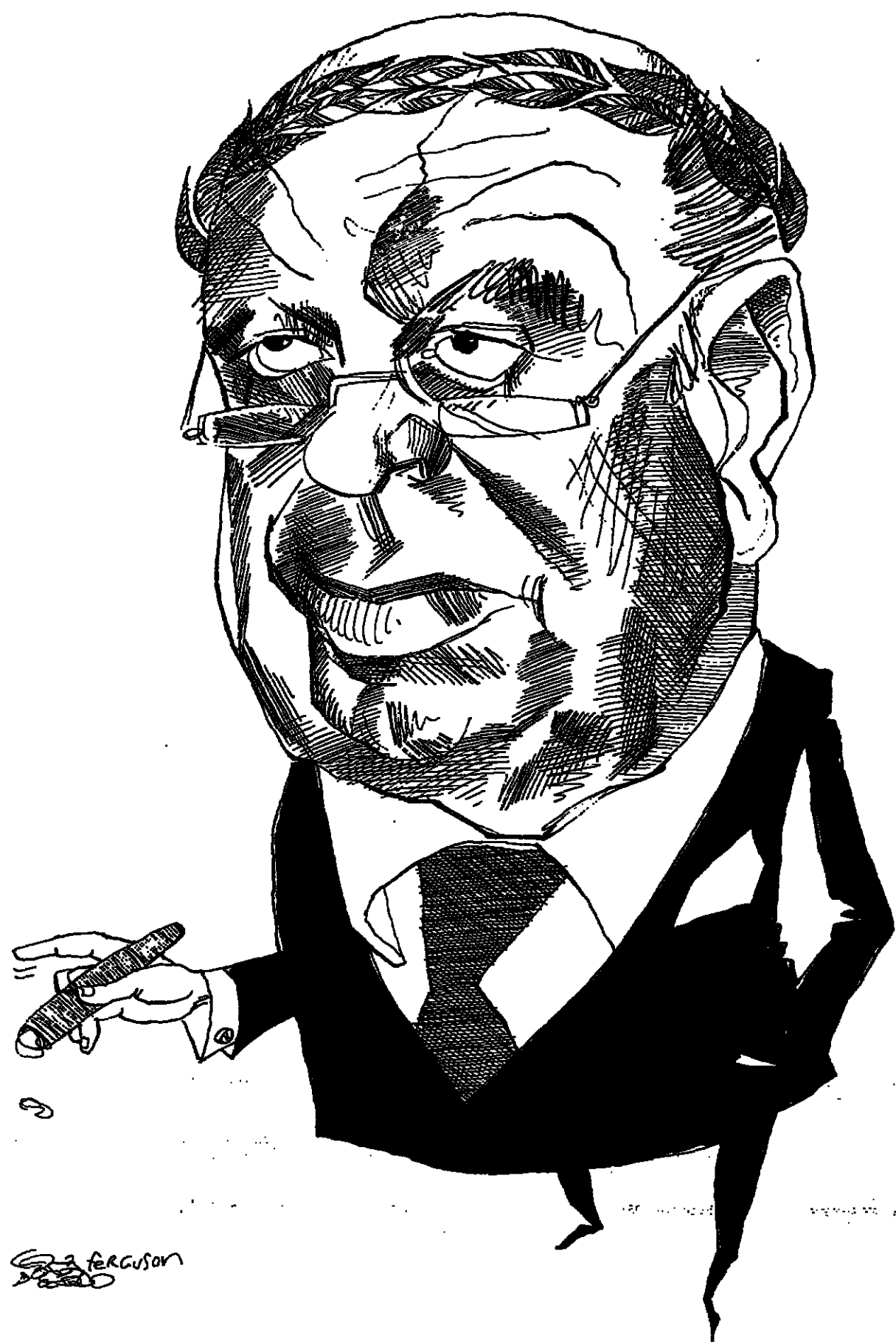
"He has an executive council of trembling puppets. He is a powerful man who gets his own way, superficially similar to Samaranch, so it is natural for Nebiolo to see himself as a logical successor," said the source.

Within the world of Grand Prix athletics, Nebiolo is acknowledged as having been an effective bulldozer, changing a landscape ripe for redevelopment.

"As president of the IAAF he has been a fresh wind. Primo has consistently removed or surmounted many barriers. A considerate manager, a gentleman, would not have managed it," said Res Brugger, organiser of the Zurich Grand Prix meeting. In a recent interview with *Sportinformationsdienst*.

Yet comparisons with Samaranch, unparalleled moderniser of the Olympic movement, are misleading. "Measured against Samaranch, he is completely unsuited to be President," the source said. "Primo's motives are totally selfish and self-seeking. Samaranch may occasionally sup with the devil but always for the good of the cause."

The British have always been Nebiolo's particular phobia. Whether it is their peculiar insistence on rules and transparent administration or individual frictions (IOC member Princess Anne treated him with Arctic disdain), his instinct for deals has repeatedly clashed with London's world view. Nebiolo was in a



Sport Politics

The emperor climbs towards Olympus

Keith Wheatley looks at the growing power of Primo Nebiolo

carpet-biting rage over the British Athletic Federation's decision not to withdraw its women's team from this weekend's World Cup after the positive (IAAF-administered) drug test on 800m runner Diane Modahl.

When the IOC in Paris elected Craig Reddie, chairman of the British Olympic Association, to one of 12 new seats on the committee they may have been bestowing more than an individual honour. If anyone has the instincts to fight the tendencies Nebiolo represents, then it would be Reddie.

"He is one of the very few men who has always been firm with Nebiolo and stood his ground whatever the pres-

sure," said John Holt, a former secretary of the IAAF who worked with Reddie on Manchester's bid for the 2000 Olympics. Reddie, a former president of the badminton federation, works as a director of a Glasgow pensions company. He is the kind of Scotsman who would have held out his fare as he stepped on to the Glasgow tram. Also with Reddie in the new IOC intake are Gerhard Heiberg of Norway, Arne Ljunquist of Sweden and Alex Gladys, an Israeli who, when he lived in the US, was a vice-president of NBC television.

Since the mid-1980s it has been received wisdom among

the savants of the Olympic movement that this was an era dominated by Latin and Hispanic interests. Barcelona received the 1992 Games from Samaranch (a Spaniard), Mario Vasquez Rana (the Mexican IOC member) rose rapidly to huge influence with southern hemisphere members. Primo Nebiolo built his long march on the careful cultivation of personal contacts with Latin American and African sports administrators. The arrogant, corinthian, Anglo-Saxon attitudes of Avery Brundage and Lord Exeter seemed to have been consigned to a quasi-colonial past.

Yet no political situation or movement is ever static. Rich-

ard Pound, the Toronto lawyer who is the most powerful member of the IOC after Samaranch, and Dick Gosper, the Australian vice-president who has just retired after a glittering career with Shell, now have powerful newly-elected allies who are likely to see the world more from their perspective than Nebiolo's.

The next two Olympics, Atlanta in 1996 and Sydney in 2000, are both in venues which, although famously multi-cultural, possess predominantly Anglo-Saxon business cultures. Although the media largely greeted the Paris changes as an open door for Nebiolo, it may prove to be one which slams in his face.

Tennis/John Barrett

Grand carnage

Tomorrow's men's singles final of the 114th US Championships at the National Tennis Centre, Flushing Meadows, will produce a new champion. That much, at least, is certain at the end of a fortnight when upsets have abounded. Who we shall be hailing as he holds aloft the famous silver cup and pockets a cheque worth \$500,000 is difficult to predict.

In today's semi-finals, the 1991 Wimbledon champion, Michael Stich of Germany, seeded No 4, will play unseeded Karel Novacek of the Czech Republic, ranked 58, in the top half. In the lower half, Andre Agassi, unseeded for the first time since 1987, will play fellow American Todd Martin, seeded No 9.

When Jaime Yzaga beat Pete Sampras, the defending champion, on Tuesday it meant that for the first time since tennis went open in 1968, only three of the seeds had reached the quarter-finals: Stich, Martin, and the left-handed Austrian, Thomas Muster (33). Once again, the growing depth in the men's game was apparent.

The carnage had begun early. Wimbledon finalist Goran Ivanisevic (2) fell at the first hurdle to the German giant Markus Zöcke whose serve is nearly as big as his own. "Maybe it's a brain injury. As soon as I come here it is finished. It's not a problem with New York. It's a problem with me," said Ivanisevic.

Boris Becker (7), also lost in the first round, beaten by America's Richey Reneberg. The 1990 champion was disappointed. "I thought I had a

good chance," said Becker. "But it was extremely slow this year - both the court and the heavier, softer balls." Almost as slow as Becker himself, one might have added.

Another former US Open winner, fifth seeded Stefan Edberg (1991, 1992), fell in the third round to follow Swede and frequent practice partner, Jonas Björkman. The match was played at night in the same cold, windy conditions that had prevailed when Edberg lost unexpectedly to Aaron Krickstein in 1988. Thus, for the first year since 1988, Edberg has failed to reach a Grand Slam final. He was the victim of his own frailty on serve and an inspired piece of attacking play from Björkman who had given notice of his advance by beating French Open champion Sergi Bruguera two weeks ago in Schenectady. "This is a much bigger win for me because it is centre court and a Grand Slam... and also Stefan," said Björkman.

Bruguera had performed well until he was hammered into submission by Muster in the fourth round.

Michael Chang, the sixth seed, believes that he is at his best on the surface. He proved it, too, in one of the best matches of the tournament when he faced Agassi in the fourth round. It was a full-blooded contest. The quality of shot-making from both men was remarkable, the result a tonic for a sport that badly needs the survival of characters like Agassi.

If, at times, Agassi's sinister black cap, black, white and blue striped shirt, plus black socks and shoes, makes him look more like Darth Vader than a tennis player as he darts about firing bullets from his light-sabre of a racket, one can still admire his astonishing timing and his courage in going for his shots.

Whether Martin will be cast in the role of Luke Skywalker this afternoon remains to be seen. Certainly the tall, upright, all-American boy has done well to survive after saving three match points against Guillaume Raoux of France in the first round. He is carrying a groin injury that inhibits his movement and is playing well below the form that took him to the final of the Australian Open in January and enabled him to reach the semi-finals at Wimbledon. Yet he will start as favourite. Martin has won three of his five matches against Agassi.

Of the lower seeds, only Yevgeny Kafelnikov, a 20-year-old Russian, did himself justice. He had not dropped a set on his way to a fourth round match against Stich but seemed non-plussed by the ferocity of Stich's attack and relative freedom from error. Stich engineered a 7-6 5-3 6-2 win that he badly needed after losing in the first round of the Australian Open and Wimbledon and the second round in Paris.

If he is to re-establish himself in time to lead Germany to success in the Davis Cup, as he did last year, Stich really needs to win this title. Otherwise his confidence, and his ranking will continue to slide.

Baseball/Frank McGurty

Fall in a minor key

For this baseball fan, the season began with all the promise of a sunny April afternoon. On opening day at Yankee Stadium, the home team put on a display that signalled a year filled with tantalising possibilities.

Four months later, my summer ended on an ambivalent note, far away from the top tier of the professional ranks, where play has been brought to a halt by a player strike. At Skylands Park, 65 miles west of New York city, the New Jersey Cardinals were showcasing the scrappy brand of baseball which attracted thousands of new fans to "minor league" ballparks this year.

This year was marked by a rebirth of sorts for the minor leagues, where small-town clubs such as New Jersey helped fill the void left by the strike for millions of disenfranchised fans.

The walkout - which involves players on the 23 teams which comprise the American and National leagues - is in its fifth week. It has forced the cancellation of hundreds of games. With only 23 days left in the regular schedule, there is no agreement in sight.

The cessation of play could not have come at a worse time. Even if a settlement is forthcoming, the strike has already spoiled a season in which some of baseball's hallowed individual records were threatened for the first time in decades.

The strike proved to be a windfall for the 200 or so minor league teams which play in the relative obscurity of small cities and towns across the US and Canada.

The main purpose of these

"farm" teams - most of which are independently owned - is to cultivate young talent for the major leagues. In exchange for an operating subsidy, each club fields players who can be moved around the parent club's organisation at any time.

This year, the minor leagues carried their role to its logical conclusion. The strike forced television networks that feature baseball as their programming mainstay to turn in desperation to the farm system.

ESPN, the 24-hour sports channel, twice called on the Birmingham Barons of the double-A (triple-A is the highest minor league level) Southern League to fill embarrassing holes in its schedule. Why the Barons? Its left-fielder happens to be a former professional basketball player by the name of Michael Jordan.

Jordan's decision to try his hand at baseball this spring brought a wave of welcome publicity to the minors, but he deserves only a small part of the credit for the farm system's season in the sun. After a long decline, which began in the 1960s, minor-league teams have been enjoying a steady resurgence in popularity over the last few seasons.

In 1983, total attendance at minor-league games reached 32m, up from 19m in the 1960s, when television introduced major-league action to the hinterlands. Today, new minor-league ball parks such as Skylands are springing up across the country, as local and state governments jockey to lure one another to entice franchises to their areas.

The reasons behind this resurgence are complex. In part, the farm teams have ben-

efited from a disenchantment with big league baseball which has been bubbling just below the surface for years. The strike has further sullied the image of a sport in which the median player salary is \$300,000 (\$232,500) and billionaire owners are suspected of cooking their books to show operational losses.

As a consequence, young fans - who earn \$1,400 a month plus \$18 a day in meal money - seem more like the idealised "boys of summer" than their big-league counterparts. Most minor league supporters support the strike and, to a man, hope one day to make it to "The Show". But in the friendly confines of a small stadium like Skylands, it is easy to imagine the Cards are playing baseball for the sheer enjoyment of it. At least one very rich Baron is certainly doing just that.

Economics has played a big role, too. Salaries are lower, and so are tickets and refreshments. Families of average means - most of whom now live in the suburbs - can enjoy professional baseball without the expense and inconvenience of travelling to the big city.

At Skylands Park, the family event seemed more like a county fairground than a league ball yard. The god-natured crowd was equally divided between pre-teens - girls as well as boys - and their thirty-something parents. Beer drinkers were thin on the ground.

The atmosphere contrasted sharply with opening day at Yankee Stadium, where players on the field had to compete for attention with the numerous brawls which erupted in the grandstands.

Motoring/Stuart Marshall

Urbane additions to the market

I do not go along with Land Rover's claim that the Range Rover is a direct competitor with the likes of the BMW 7-Series, Audi A8, Mercedes-Benz S-Class, Jaguar and Lexus. But if you insist that your luxury car must be able to ford rivers, cross deserts or climb mountains, even if you have no plans to take it off the tarmac,

then the latest Range Rover reigns supreme.

Which leaves us with the new Audi A8 and BMW 7-Series, because both the Mercedes-Benz S-Class and Lexus LS400 have been around in their present form for some time.

Although the A8 4.2 quattro looks a fairly conventional

large saloon car, it is anything but. This is because it is made largely from aluminium and weighs around 140kg less than its sheet steel rivals. This, Audi says, makes it more crash-resistant and friendlier to the environment. Fuel consumption is reduced and, at the end of its life, the vehicle will be easier to recycle.

Whether this will cut much ice with the customers remains to be seen.

The A8 quattro, priced at \$46,699, puts its V8's 300 horsepower on the road through four wheels via a Tiptronic gearbox which lets a driver choose fully automatic transmission or manual gear selection according to mood.

On the German autobahn, the quattro reached its governed 155mph (250kph) maximum in eerie silence and treated curving mountain roads with nimble indifference. It is a brilliant performer - but, like Lexus, the Audi marque lacks the charisma of BMW, Mercedes-Benz or Jaguar in Britain. Audi hopes to sell up to 500 A8s in 1995 and expects 80 per cent of them will be the cheaper version, \$34,499 with front-wheel drive, and 174hp, 2.8-litre, V6-engine. But BMW GB aims to get at least four times that number of customers into its new V8-engined 730 and 740 saloons. They replace an eight-year-old 7-Series which was second best-seller in the luxury market after Jaguar.

Standards in this class are so high that it is difficult to find any fault with cars such as the BMW 730 and 740 (or, for that matter, the Audi A8). It came almost as a relief to note that

the 7-Series' screen-wipers were a bit noisy. In any case, most users choose them not for sheer performance (legally unusable, anyway) or refinement (all are utterly urbane) but for less easily defined qualities such as status and image.

The new BMWs look little different from the old ones and retain the classic rear-wheel drive layout. At \$39,800 (the 730) and \$46,700 (740), they cost no more if specifications are taken into account.

They cruised in silence equal to the Audi A8 when I tried them some time ago on the

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TELEVISION

SATURDAY

BBC1

7.25 News. 7.30 Falls. The Cat. 7.45 Joe. 8.10 The Adventures of Shoggy. 8.35 SWAT Kats. 9.00 Parallel 8. 11.00 Film: Bugs Bunny Supersize.

12.05 Tom and Jerry.

12.12 Weather.

12.15 Grandstand. Introduced by Steve Rider, including at 12.20 Football Focus: Preview of the day's Premiership fixtures. 1.00 News. 1.05 Motor Racing: Practice for the Italian Grand Prix. 1.15 Athletics: The second day of the World Championships in Crystal Palace. 1.30 Swimming: World Championships from Rome. 1.50 Yachting: The Volvo 300 Series. 2.10 Racing from Goodwood: The 2.15 Westminister Tied Insurance Handicap Stakes. 2.25 Yachting. 2.40 Racing: The 2.45 Highland Spring RDA Nursery Handicap Stakes. 2.50 Athletics. 3.15 Racing: The 3.20 William Hill Sprint Cup (H-cap). 3.25 Athletics. 3.55 Racing from Leopardstown: The 4.00 Guinness Champions Stakes. 4.05 Athletics. 4.45 Final Score. Times may vary.

8.15 News.

8.25 Regional News and Sport.

8.30 Cartoon.

8.50 Film: Wings of the Apache. Airborne action adventure, starring Nicolas Cage as a helicopter pilot training to combat drug barons in Latin America. With Sean Young (1990).

7.10 Bruce Forsyth's Generation Game. Now series. Bruce Forsyth and Rosemary Egan return with the fun-filled family game show.

8.10 Challenge Anneka. The residents of Burnham-on-Saer throw down the gauntlet to Anneka, setting her the task of building a new sitcom station in 72 hours.

9.00 News and Sport: Weather.

9.20 The Last Night of the Proms. Part two. Live from the Royal Albert Hall, featuring the traditional rendition of Sir Henry Wood's Fantasia on British Sea-Songs. Simultaneous broadcast with Radio 3. Subsequent programmes may run late.

10.55 Match of the Day. Highlights from two top matches in the FA Premier League, plus goals from the day's other fixtures.

11.55 Film: Grievous Bodily Harm. Thriller, starring Colin Firth (1987).

1.25 Weather.

1.30 Close.

BBC2

6.00 Open University. 12.15 pm Film: The Last of His Tribe.

1.45 The Phil Spector Show.

2.10 Timesat. Reconstruction of the vicious and brutal spectacles once staged in the Roman arena, using high technology computer graphics to convey the violence of the ancient world.

3.00 Film: Becky Sharp. Adaptation of Thackeray's Vanity Fair, about a self-reliant girl struggling to make her way in Regency society. Miriam Hopkins and Cécile Howard (1935).

4.30 Brilliant Gardens.

4.30 Alone to the South Pole. Film following Norwegian Erling Kagge's groundbreaking solo journey to Antarctica.

5.00 Hotshots! World Fishing Championships 1993. Film following competitions in Corcuca, Portugal as they contend with all manner of problems in their quest for the title.

6.00 The Bratislava Connection. Management courses in Slovakia designed to help combat the country's rising unemployment, industrial decay and high pollution levels.

6.40 News and Sport: Weather.

6.55 Developing Stories. New series. Film short from Gaza, recounting the tale of a 12-year-old refugee whose parents were killed in the intifada. He is now on his own on a quest for three missing jewels.

7.45 The Last Night of the Proms. Part one. Richard Baker introduces the farewell concert live from the Royal Albert Hall, featuring Bach's Toccata and Fugue in D minor and pieces by Williams and Walton. Continued on BBC1. Simultaneous broadcast with Radio 3. Subsequent programmes may run late.

9.00 Film: A Star is Born. Musical drama, starring Judy Garland and James Mason as Hollywood stars who fall in love and marry as their careers take them in different directions (1954).

11.50 The Moral Maze. New series. Michael Buerk hosts as a panel of guests including Edward Pearce and Janet Daley tackle a topic of current concern.

12.35 Film: Ghost Ship. The captain of a merchant ship is driven mad by isolation. Thriller, starring Richard Dix and Russell Wade (1943).

1.40 Close.

LWT

6.00 GMTV. 9.25 What's Up Doc? 11.30 The ITV Chart Show. 12.30 pm The Latest Hobo.

1.00 ITN News: Weather.

1.05 London Today: Weather.

1.10 Champions' League Special. Preview of next Wednesday's opening matches in this year's competition.

1.40 Movies, Games and Videos. Reviews of new Western Wyatt Espy, starring Kevin Costner.

2.10 WOV Worldwide Wrestling.

2.50 Life Goes On.

3.45 Burke's Law.

4.45 ITN News and Results: Weather.

5.05 London Today and Sport: Weather.

5.35 Cartoon Time.

6.35 Baywatch. Concluding part. With racers against time to reach the sunken airliner as Hobbie's air runs out. David Hasselhoff and Jeremy Jackson star.

6.50 Gladiators. New series. The combat game show is back, with four brave contestants ready to take on the might of the muscle-bound TV warriors. Presented by John Fashanu and Ulrika Jonsson.

7.30 Film: Crocodile Dundee II. The Australian trooper's survival skills are needed once more when his girlfriend is kidnapped by drug dealers. Comedy adventure, starring Paul Hogan (1988).

9.35 The Big Fight - Live! Nigel Benn v Juan Carlos Gomez. Ringing out in the cage as the Dark Destroyer defends his WBC Super Middleweight title against the tough Paraguayan.

10.50 ITN News: Weather.

11.00 London Weather.

11.05 Spitting Back.

11.35 Kevin Costner's Wyatt Espy.

12.05 Bruce and Bob Eat America.

1.05 Wet Wet Wet: ITN News Headlines.

2.05 Top of the Pops.

2.50 The Big E: ITN News Headlines.

3.45 European Nine-Ball Pool Masters.

4.40 BPM.

5.30 ITN Morning News.

CHANNEL4

5.00 4-Tel on View. 6.35 Early Morning. 9.45 Bizz. 11.00 Gazzetta Football Italia. 12.00 High 5. 12.30 pm Tandoori Nights.

1.00 Film: Torrid Zone. Sundry singer Ann Sheridan helps banana plantation owner Pat O'Brien persuade his trusted manager not to quit. Comedy adventure, with James Cagney (1940).

2.35 The Friend. Russian animation.

2.50 Racing from Doncaster and Leopardstown. From Doncaster: Coverage of the 3.05 Abu Dhabi National Oil Company Stakes Handicap. 3.40 Telescreening St. Leger Stakes. 4.15 Triple Triple Flying Children Stakes, and the 4.45 Ladbrokes Handicap. From Leopardstown: The 4.00 Guinness Champions Stakes.

5.05 Brookside: News Summary.

6.30 Opening Shot: Flamenco. Film following the progress of two British flamenco dancers in Spain as they attend classes at a prestigious school and perform in an annual concert. Last in series.

7.00 People's Parliament. Debate on whether all women have an automatic right to bear children, questioning whether the NHS should provide more help.

8.00 Film: The Purple Heart. Wartime drama about eight American airmen shot down over Tokyo during a bombing raid. Starring Dana Andrews and Farley Granger (1944).

8.55 Fanny and Alexander. Part three of Ingmar Bergman's drama exploring children's emotional turmoil in the wake of their father's death. (English subtitles).

11.05 It's Just a Ride. Tribute to American comedian Bill Hicks, featuring clips of his performances and contributions from family, friends and admirers.

11.55 Late Licence. Mark Lamer and Rhona Coleman introduce tonight's programmes.

12.00 Bill Hicks.

1.00 Herman's Head.

1.30 Just for Laughs.

2.05 Passengers.

3.05 Packing Them In.

3.50 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:

12.30 Movies, Games and Videos. 1.05 Angle News. 1.40 Nigel Mansell's IndyCar '94. 2.10 Carry On Constable. (1959) 3.45 Knight Rider. 5.05 Angle News and Sport 11.00 Angle Weather. 11.35 Wet Wet Wet.

12.30 Movies, Games and Videos. 1.05 Border News. 1.40 Nigel Mansell's IndyCar '94. 2.10 Carry On Constable. (1959) 3.45 Knight Rider. 5.05 Border News and Sport 11.00 Border Weather. 11.35 Wet Wet Wet.

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Nine months ago my sister, Thomasina, died. She was 32. My immediate emotions were of simple grief, partly at my own loss, partly at her much greater one. But the passage of time has brought with it other, more complex and surprising emotions.

In particular I have begun to feel, in some strange way, outnumbered: that the balance of Lawsons versus the rest of the world has been altered to my family's disadvantage.

I felt this most strongly, I am ashamed to say, at a gathering with my best friend and her four brothers. Much as I liked them all, I was overcome by envy of their superior force.

It is not as though I am without

Safety in numbers: the family logic

Those who want to halt population growth do not understand human nature, says Dominic Lawson

allies, however. I have two remaining sisters, and come to that, a further two half-siblings. But the feeling of being outnumbered remains.

However, being neither an unreasonable nor a vindictive man, I do not propose to demand a cull of my friends' families in order to restore the local balance of power. I am not even tempted to demand reprisals among the many more numerous families in the great world outside, in order to ensure that the Lawsons are not defeated in their aspirations by the maddening and ever-competitive crowd.

That however, does seem to be

the motive of those developed world delegates in Cairo for this week's United Nations International Conference on Population and Development. They are deeply worried that the earth's environment will not be able to support the growing industrialisation of the developing world's billions.

Or, not to beat around the bush, western delegates are concerned that they themselves might be facing much stiffer competition for the resources which in the past - first through colonialism and later through superior economic power - they have found it so easy to

acquire.

Naturally the western delegates in teeming Cairo do not quite express things in this way. They prefer to say that it is in the developing world's own best interests to limit their populations.

This argument persists, even though there is no proven connection between high densities of population and poverty - think of Singapore and Taiwan versus Mongolia and Chad - and even though there is clear evidence of declining birth rates in the developing world

without any intervention from western busybodies such as Lady Chalker.

One country in which coercive imposed birth control has been tried is the People's Republic of China, which aspired to become the not-so-many-people's republic of China. The result has been the widespread slaughter of female infants, and the creation of a class of fat, spoiled only-sons. Meanwhile, in the province of Canton, booming through the recent introduction of local capitalism, there is an acute labour shortage.

Here, indeed, lies the solution, if one is needed. Capitalism has consistently showed itself capable of refuting Malthus's ancient prediction that food production could not keep up with population. Indeed, the problem has recently proved quite the reverse: there has been a global overproduction of food, creating such economic absurdities as the Common Agricultural Policy.

Meanwhile the African starvation which we witness so distressingly on our television screen is directly the result, not of unchecked fertilisation, as the Conservative MP Sir Nicholas Fairbairn argues, but of

the imposition of feudal or socialist economic policies. And, much as Lady Chalker and Sir Nicholas might dislike the thought, the rational response to a high mortality rate is to produce more children.

It would be irresponsible for the heads of any family to behave otherwise, unless it craves extinction.

For this reason, what I would most have wanted, in the nine months since my sister's death, is to have fathered another child. And, in the absence of that, the continued rude health of my 20-month-old daughter is the greatest consolation; that, together with the arrival of my first niece, born a week after my sister's death, and named Cosima Thomasina.

■ Dominic Lawson is Editor of The Spectator.

Nearly three years after being knocked out of the political ring, veteran pugilist Bob Hawke is still throwing punches. Australia's four-term former prime minister might have dropped in the weights since the Labor party leadership was snatched from him, but he looks very fit for 64; short, wiry, quick on his toes and eager to trade blows.

He was in London this week to promote *The Hawke Memoirs*, a smoothly-written record of his triumphs which critics have found self-serving, even by the standards of political autobiography. In particular, Hawke's successor, Paul Keating - his one-time finance minister and friend - gets a roasting.

In the snakepit of Australian politics, attack is the usual form of defence. When I suggested that the memoirs had the tone of a man who felt grossly under-valued - I did not dare use the word "whingeing" - Hawke began chastising the Australian media for bias. They were the reason, he said, why he had "inclined to be emphatic".

Like Margaret Thatcher, Hawke lost his premiership in an inner-party *putsch*. Was he still as sore about it as she appeared to be?

"No. I believed the party had the right to make a mistake, if I can put it that way. I did not feel bitterness about the party making a decision. I did have some bitterness about some of the tactics that were employed and what, in my judgment, was some unprincipled, dishonest undermining."

What happens to a man used to power and attention when it is taken away?

"I can't say what happens with Mrs Thatcher or someone else. But with this man - because I've done it all my life - when I've finished one thing, I get very interested and involved in the next stage of my career."

His plan to re-launch himself as a television interviewer of world leaders fell through. Instead, Hawke has set up as a consultant on Asian affairs and has a couple of Australian university chairs he has yet to warm.

There must be some withdrawal symptoms, I said.

"I don't know how long I've got to go on about it. At the time, right at the time, there was. But what I'm saying is, that's something that's finished. I don't want to go into what I've earned in this period. But I've earned very well. My time has been fully occupied working long hours and a whole range of things which are immensely satisfying."

"You either believe me or you don't. I mean, I keep saying I'm not one that looks back. I fought to keep the position. I was hurt right then, but then that was it. Done." He punched the palm of his hand.

Do you see in Paul Keating some of your own faults?

"No, no. That's a nice bit of amateur psychology. But entirely without foundation."

Hawke took the question as a reference to his own ousting of Bill Hayden (now Australia's Governor-General) as Labor leader before the election victory of 1993. "The evidence showed that I was the one to get Labor into power, and not Bill. Here in 1991, you had a situation where the center-right said that even if he had a less chance of winning the next election than me, he wanted it because it was his turn. That sort of ambition was totally different."

I reminded Hawke of some of the



Private View/Christian Tyler

Aussie boyo comes out punching

Bob Hawke still displays the pugilistic streak that carried him to the top in Australian politics

pejoratives he had used about Keating. He picked up a copy of the memoirs and began to read from one of many marked pages: "From hesitant beginnings, Paul had grown in confidence, competence, courage, imagination and determination..."

I know political memoirs are an exercise in self-justification, I said, but, in retrospect, might you have left all that stuff about Keating out?

"Of course I wouldn't." He glared at me as if I had lost my marbles. "Why would you? I mean, has history changed? Do the facts change?"

Maybe it would have been more dignified...

"What's the question of dignity?" he spluttered.

To say less, I mean.

"Why? What's the question of dignity involved in history. That may be your perception about one's responsibility writing the facts of history, and why and how things happened. All I can say to you is it's not mine. If the concept underlying your question is that dignity is more important than the facts... that's a perverse view."

It wasn't, quite. But it was a good jab, and I stepped back.

Hawke achieved his aim of making Labor a natural party of government by grabbing the political cen-

tre. He also embarked on a bonfire of protectionist controls. What advice had he got for Tony Blair, Britain's new Labour leader?

"I don't presume to tell him - I would want you to preface with that. But, for what it's worth, he should adopt policies that are relevant to the needs and aspirations of the country. It's no good having outdated shibboleths. The basic philosophy is to pursue policies which will be electorally relevant and acceptable."

At the same time, he added, a social democratic government should see its role as creating equality of opportunity for every citizen.

Hawke's mother, Ellie, a strictly religious person like her husband, Clem, was convinced her boy was destined for great things, especially after his elder brother, Neil, died young of meningitis. I asked him if he shared her conviction.

"I had some sense that, in a strange way, my life had been developing in a way that was preparing me for the capacity to move through the ranks of the labour movement to leadership. It's a very fair question, a relevant one."

After reading law and economics, and with politics at the back of his mind, he went as a Rhodes Scholar to Oxford University where his

choice of research topic - Australia's unusual wage-bargaining system - led to a job with, and inexorable rise to the top of, the Australian Council of Trade Unions, the equivalent of Britain's TUC.

"The way those things happened, it was almost as though... if I'd been sitting there, almost being able to choreograph the steps in a career, you couldn't have done it any more relevantly. That's the point I'm making. I'm not excluding the fact that within me there was a well-developed ambition to move through and go to the top."

If Bob Hawke once was famous for his gambling, swearing, drinking and womanising, he was even more famous for his public confessions and tears. I asked this former yard-of-ale record holder: Why did you hit the bottle so hard?

"Oh, I don't know. I tended to do everything hard. Remember when I had the accident and nearly died?" (While at university, he crashed his Panther motorcycle and ruptured his spleen.) "I just then determined to do everything flat out. I didn't determine to drink flat out - the main thing I determined to do flat out was in respect of my studies. But I was a person that was full of energy. I never did things in a half-hearted way. In a sense, that

applied to my socialising."

Was it just socialising, or were you trying to get away from something?

"No. As I said, I shared Churchill's view that I got more out of drink than it got out of me. It was a very useful and important part of developing relationships, cementing them. The Australian political labour and industrial scene is a very gregarious, mateship sort of thing. The reason I gave it up was there were too many instances where I behaved stupidly. I wasn't proud of some of the things I did. In 1980, with the Labor leadership in his sights he turned over a new leaf and became teetotal."

Many writers have described Hawke as an exceptionally paradoxical, complicated man. Did he agree?

"Well, I don't know what 'complicated' means. I'm not being semantic about this. Whether I am, in fact, more complicated than Joe Blow, I don't know. Neither do you. I'm not professionally qualified to answer the question. I wonder whether it only becomes an issue because I'm a prominent person."

"I don't fully know myself. No human being does. But to the extent that I do know myself, I don't think I am terribly complex. I

understand what drives me. I understand what my passions are. But I could be wrong."

The boyo image, I said, was almost a caricature of an Australian was that really you, or someone you found politically useful?

"Oh, come on. Come on, don't be silly. You really are an amateur psychologist. I am a gregarious bloke who loves his sport, is passionate about his sport and good at it, loves people... in a sense, a quintessential Australian since I've

been like that." He held his palm close to the floor.

"Sport, people, lack of pretence. Let's get down to it. That's been me all my life. I mean," he sniffed, "that's how I've related to the Australian people. To come along now with this 'Have you really adopted this persona?' Come off it, mate!"

People seem to be confused by you, I said. That's why I ask.

"That's why I'm giving you a direct answer. To refute the nonsense."

I nipped across the ring and asked why there was no mention of the entrepreneurs Kerry Packer or Alan Bond in the memoirs, and only one of Rupert Murdoch - compared to King Midas. Your left-wing critics have made a lot of the fact that you were big mates with them and say you gave them the run of the roost.

"Wait a minute. If I spent my time writing about inaccuracy and misrepresentation... I mean, it was a canard from the word go. I knew these people. Bond, early in my prime ministership, wins the America's Cup. I was photographed with him and lauded him for what he did, as did the rest of Australia. I was never close mates with Bond, or with Packer or with Murdoch. They had no part in determining the policy I ran."

"I happened to believe that Australia was over-regulated, and that it had been bugged by a conservative government which was supposed to be for free enterprise but continued to cosset it behind high tariff walls. I was for internationalising the economy... here he banged his fist... deregulating, bringing in foreign banks, floating the dollar. Within that context, you have entrepreneurs who go like that. He shot his arm towards the ceiling. 'Big surprise!'"

Australia, I said, used to be seen as brash, noisy and chippy - a bit ashamed of its culture. Do you think it has grown up in some way?

"I think it has in many ways, yes. It is true we have been exporting reasonable quality culture for a goodly period of time." He made it sound like wooltops.

"But you're right. Australia's got more confidence in itself now, beyond the traditional areas where we were great at tennis and swimming and so on."

"Some of the insouciance you talk about is still there. I hope for God's sake it will remain a part of us. But now there's a quality of real self-assurance, as distinct from the attractive bravado."

I stepped from the ring to leave the former title-holder looking as fresh as a daisy for the next bout. Thanks very much, I said.

"It's been a pleasure," he replied. "The economics, the politics - and the psychology!"

Are you leaving your heirs less tax more inheritance?

Naturally you want to leave all of your estate to your family or dependants or at least to someone of your choosing.

But the truth is that without some forward planning your heirs will receive only what is left after the Inland Revenue take their share in the form of Inheritance Tax when you die.

And that share can be quite dramatic.

For example, on an estate of £400,000 (including house, contents, personal effects, stocks and shares, bonds, trusts, cash, life assurance and any inheritances) the Exchequer stands to be an equal beneficiary. If there were three children they would each get £100,000 but the Exchequer would also take £100,000.

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Christian Aid says: "It seems that God is very interested in economics."

It may well be that this respected British charity is absolutely right.

But as the opening argument in Christian Aid's indictment of the World Bank and IMF, it is somewhat disconcerting.

We all know the feeling. The doorbell rings, and there stands an intense, well-meaning evangelist, tract in hand.

Common courtesy then requires that we at least give the visitor a hearing, but we are determined we will not get drawn in. Otherwise before we know it, we are engaged in a debate based on a premise which we were too polite to reject, but which takes on a logic of its own.

Thus it is with *Who Runs the World*. Christian Aid's analysis of the Bank and the Fund, it contains a blast of Old Testament fire and brimstone, with a whiff of hubbub.

It begins: it seems fair to assume that God may well be "very interested in economics."

Christian Aid, enconced on my mental doorstep presses on. The text starts to take on a conversational life of its own, assisted by its use of italics and bold type.

Christian Aid now fixes me with the gaze of the proselytiser who has

God the economist

Michael Holman finds Christian Aid on his doorstep

made a breakthrough.

"The main reason for failing to worship the true God is our unchallenged and sinful allegiance to other sources of power in our world."

There is no answer to that. "Yes, well, I see what you mean, even if I do not actually believe in God, as such."

The doorstepper now gets a glint in their eyes. The voice shifts from italics, which was bad enough - the visual equivalent of enunciating words slowly and carefully to someone who is either a foreigner, or mentally challenged.

I am now addressed in bold.

"So if our financial institutions destroy poor people they must be judged."

I am now the quarry caught in the headlamps, bemused.

I search for an escape. Humour, they, always humour them... "Yes, you may well have a point," I mumble. I am about to say: "I think that is my 'phone.' Too late."

Christian Aid, foot now firmly in the doorway, cunningly changes the tone. Calmly, in a voice patient and

reasonable, the logic of the premise is pursued: "Behaviour that destroys the poor person is always condemned (in the bible)."

Without warning, another burst of bold:

"So if we accept powerful financial systems without question we may fall into sin."

One final salvo and Christian Aid, armed with the Good Book and the testimony of its ideological missionaries in the field, has cleared the way for the onslaught on the IMF and the Bank.

"So we are called upon to dream about God's will done on earth."

I shake myself awake: "Were not these countries in a spot of bother before the Fund and the Bank had a go at them?"

Christian Aid makes a small concession. "Even before Structural Adjustment Programmes came on the scene, third world countries were already in great difficulties. In some, a few people with influence in government or business had sufficient power to protect or even enrich themselves..."

I start to splutter. Worse, I find

myself speaking in italics. "A few?" I'm even tempted to use bold, but stick to italics. "Even enrich themselves?"

I want to add: "Is that all you can say about a whole generation of kleptocrats?" But Christian Aid is in full flight.

"Third world governments had borrowed money in the 1970s... to cover the cost of rocketing oil prices and to build and improve necessities such as roads, schools and factories."

This is too much. "Hang on! What about white elephants, French chateaux and Swiss bank accounts?"

But Christian Aid has moved on, offering testimony from those Third World citizens afflicted by the IMF and Bank policies.

"There is an astonishing level of knowledge about the activities of the duo, says Christian Aid, quoting the testimony of the 'victims'."

I try to calm down. "Yes, but they do not always get the full picture. You know, no money for medicine but enough to buy those new tanks."

Again, Christian Aid has a ready response on behalf of the "victims of the World Bank's failure to listen."

"Some governments too do not listen to their people."

"It is more than some, it is most governments." I want to add.

I am now getting even more irritated. "Will you not at least concede that something had to be done?" I ask.

Christian Aid frowns: "Some failures have certainly been due to the incompetence or corruption of third world governments... Change certainly had to happen."

I nod vigorously - but too soon.

"We do not absolve governments of their responsibilities... but argue that the World Bank and the IMF should take into account what governments are actually likely to do and what it is politically possible for them to achieve."

I have one last go. "I do not quite follow. Could you explain how this would apply to Daniel arap Moi, widely believed to be putting away a bit of the old what-have-you while living above the shop?"

But by now we have lost each other. Shared passions, shared concerns, but divided by our convictions. Who is right? God knows.

■ *Who Runs the World?*, £4.99, Christian Aid, PO Box 100, London SE1 7RT